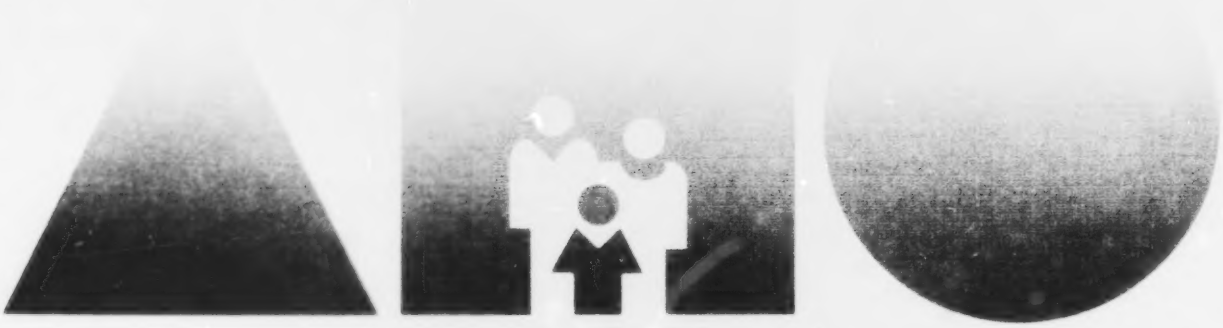

... unites Ontario's municipalities

Report Series 1990

90-3 "New Dimensions"

Report of the
AMO Conditional Grants Review

Association of Municipalities of Ontario
May 1990

MISSION STATEMENT

A.M.O. unites Ontario's municipalities.

We take pride in promoting, supporting and enhancing strong and effective municipal government.

We provide strategic leadership by:

- **developing and effectively promoting responsive quality policy**
- **informing and educating governments, the media and the public**
- **marketing innovative and beneficial services**

Our elected representatives, municipal officials and Association staff form a team which values and respects:

- **diversity and local autonomy**
- **fairness and equity**
- **consultation**
- **consensus**
- **co-operation**

90-06413/

FOREWORD

Over 1989-90, the provincial government will transfer almost five billion dollars to Ontario's municipalities; with the majority of these funds being distributed through a myriad of conditional grant programs. The current grant system exists in its present sizable and complex form despite years of internal and external pressures to change it. Now the Association of Municipalities of Ontario is taking a leadership role in promoting reform.

The Association's review was motivated by the growing awareness that current provincial-municipal financial arrangements are no longer appropriate in the face of the changing socio-economic environment in Ontario. The move towards community-based social and health services, stricter environmental controls and the urgent need for improved and expanded infrastructure are some examples of trends which demand a more responsive transfer payment system.

Just such a system was developed by the committee which undertook the review. While widespread consultation with AMO's membership revealed that Ontario municipalities are divided on some of the details of the proposed transfer payment system, it also revealed a widespread support for the principles which lie at the heart of the reforms. This support was confirmed by the Association's Board of Directors, which, in May, 1990, voted overwhelmingly to approve the review in principal, allowing future AMO representatives to negotiate the particulars of a new and improved transfer payment system with the Provincial government.

It is within this spirit of reform therefore, that the Association of Municipalities of Ontario presents this report to the Province of Ontario.

"NEW DIMENSIONS"

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NEW DIMENSIONS

DISCUSSION PAPER OF THE AMO

CONDITIONAL GRANTS REVIEW

EXECUTIVE SUMMARY

The Association of Municipalities of Ontario has undertaken a comprehensive review of all the conditional grant programs of the provincial-municipal transfer payment system.

AMO's conclusions are based on a discussion of the roles and responsibilities of the respective levels of government, the province and municipalities. The review raises these fundamental questions:

Who is now responsible for this service?

Who, in the future, should be responsible?

Who is now paying for this service?

Who should pay?

AMO's study addresses the most fundamental issue facing municipal governments today, the relationship with the Province of Ontario. The problems may appear financial, but it has become evident that the intergovernmental partnership itself requires reform.

The Association's conclusions are reform-oriented. The recommendations of this report should be viewed as a comprehensive package. A piece-meal approach, at this stage, would not satisfy the need to provide effective delivery of services to Ontario's citizens.

The Association recommends the following comprehensive package of financial reform:

I. **A stable and consistent municipal revenue base comprised of property tax, user fees, and revenue transfers from the Provincial and Federal governments. Revenue transfers (grants) must be clearly defined in a new revenue-sharing partnership agreement.**

II. A new general municipal support grant to replace the current inadequate Unconditional Grant Program.

III. Elimination of some conditional grant programs with the funding allocation distributed to municipalities through the new Unconditional Grant Program - a general municipal support program.

EXAMPLES:
- Municipal Road Grants
- Community Planning Grants
- Community Area Improvement program
- PRIDE
- Community Programs in Recreation
- Wintario Development Program Grants
- Wintario Capital Grants

IV. Elimination of specific Conditional Grant Programs with program responsibility assumed by the Provincial Government. Municipalities could act as a delivery agent for some services, on a full cost recovery basis.

EXAMPLES:
- Income Maintenance & Employment Support Programs
- Child Care
- Children's Aid Societies
- Municipal Homes for the Aged
- Municipal Housing Statement Program
- Ontario Basic Mapping Program

V. For those services assessed as a joint responsibility, retention of the existing cost-shared grant programs.

EXAMPLES:
- Transit Specialized Operation and Capital Grant Programs
- Elderly Person Centres
- Homemakers and Nurses Services Program
- Home Support Program
- Lifelines
- Sewer and Water Direct Grant Program
- Conservation Authorities
- A (New) Social Planning Grant Program

VI. Continuation of those programs in which municipalities act as administrative agents for the Provincial Government.

EXAMPLES:
- Ontario Home Renewal Program
- Livestock Compensation Program
- Shoreline Property Assistance Program
- Drainage Works/Erosion Control Programs

VII. Elimination of payments on lieu of taxes with the Federal and Provincial governments paying their full share of property taxes.

PART I

- Purpose
- Historical Background
- The Provincial-Municipal Environment
- Principles for Grant Reform

PURPOSE

THE NEED FOR REVIEW

The Association of Municipalities of Ontario has undertaken this study to review all of the conditional grant programs of the Government of Ontario and assess whether these programs are applicable to current and future circumstances.

Municipalities in Ontario face a number of challenges as the 1990s approach. The major municipal revenue source, the property tax, is coming under increasing pressure to fund new programs given to municipal governments and to finance the cost of new and improved legislation and regulation. Some recent new programs will have a significant impact on property taxes: education improvements, higher welfare rates, increased accessibility for child care, community-based social services and the environmental regulations of the Municipal Industrial Strategy for Abatement are just a few examples. As well, in its search to finance expanding programs and infrastructure in the high growth areas of the province, the provincial government has recently intruded into the municipal taxation and revenue base. Examples are lot levies for school capital and the commercial concentration tax in the Greater Toronto area.

Municipalities have less flexibility than ever before in meeting local needs. Municipalities are restricted by an unresponsive financial base and are unable to respond effectively to emerging trends in their communities. There is an increasing inability to react to new government regulation and services must compete for limited resource dollars.

Ten years ago, the Province of Ontario distributed $1.4 billion to municipal governments through over 90 conditional grant programs. In 1988, there were over 100 conditional grant programs in the provincial-municipal transfer payment system. In 1987-88, these programs paid $3.9 billion in financial support to municipalities and municipal agencies. This does not include the $3.8 billion in assistance to school boards. At the same time that the amount of conditional grant dollars has increased, the funds available through unconditional grant programs has decreased.

It is timely, therefore, that a comprehensive review of conditional grants be performed. The Association of Municipalities of Ontario began this study in 1988 to review and analyze the multitude of provincial conditional grant programs in order to assess whether these programs are adequately meeting the needs of Ontario's municipalities.

AMO'S POSITION ON CONDITIONAL GRANTS

The Association has had a long-standing policy stating that all grants should be deconditionalized. In its 1977 response to the Provincial-Municipal Grants Reform Committee, AMO stated its support for a significant reduction in the conditional grant programs, with financial assistance transferred to the municipal level as an unconditional grant instead. The grant program would have been eliminated, but the funds would have been maintained and added to the larger package of an unconditional grant program. AMO also stated that, until grants are deconditionalized, conditional grants should keep pace with the rate of inflation.

The Association has also over the course of the past ten years supported the continuation and enhancement of specific grants through its policy positions and resolutions endorsed by conferences. It is recognized that this inconsistency is a symptom of financial uncertainty and the complexity of the existing system.

MANDATE OF THE REVIEW

In establishing this review, the Association set forth the following mandate:

- to review all provincial conditional grants in terms of their adequacy in meeting municipal needs.
- to review all provincial conditional grants in terms of their structure and administration.
- to review all conditional grants and develop a consistent and comprehensive policy on provincial-municipal financial arrangements.
- to analyze the relationship of the unconditional grants program to the conditional grants programs and assess the effect of each funding mechanism on municipal decision-making
- to promote with our provincial partners a transfer payment system more responsive to today's environment.

AMO believes that the existing transfer payment system diminishes municipal autonomy. Financial assistance channelled by Provincial Government priorities into many conditional grant programs undermines municipal decision-making. It in fact interferes with the ability of municipalities to provide services based on local needs. This review could enable financing to be more "efficiently" allocated to the municipal level of government. Administrative "red tape" not only interferes with local autonomy and decision-making, but also adds costs to program administration.

The Association has expressed its concerns to the provincial government regarding the adequacy of the current unconditional grant program. This review process has revealed that a new method of financing municipal government is necessary. Many of the recommendations of this report are contingent upon the joint development of a totally new unconditional grant system to ensure that municipalities have sufficient financial resources to provide municipal services and reduce the impact of property tax increases on the ratepayers.

The ultimate objective of this study is to promote with our provincial partners a new and more responsive transfer payment system for the enhancement of municipal government.

METHODOLOGY

Under the direction of its Fiscal Policy Committee, the Association established a special committee comprised of representatives from the Fiscal Policy Committee, the five Sections of AMO and affiliated Associations. This Committee, resourced by a team of Association staff members, undertook a review of every conditional grant program, taking into consideration past AMO policy reports and resolutions and future municipal service requirements.

The committee undertook the following tasks:

- collected and reviewed historical and current financial data and statistics on provincial-municipal transfer payments.
- collected and established a database on financial allocations per grant program.
- researched the structure of specific grant programs by receiving delegations from Ministries of the government.
- analyzed the financial information provided to the Association by individual government Ministries.
- identified key trends in public policy impacting intergovernmental finance, on a Ministry-by-Ministry and program-by-program basis.
- developed a set of principles of intergovernmental relations and intergovernmental finance to guide the review process in its analysis of specific programs and to provide a framework for the future.
- developed a decision-making model on which to base Association analysis and recommendations for a more understandable and effective provincial-municipal transfer payment system

- examined alternative approaches on how programs could be funded, such as deconditionalization, block funding, consolidation of programs, administrative streamlining, maintenance of the status quo, elimination of the funding, user fees.

During the final months of the study the draft chapters of this document were reviewed by every Section Executive Committee: County and Regional, Large Urban, Small Urban (OSUM), ROMA, and the Northern Ontario Executive Committee. The report was also on the agenda for discussion and input of other policy committees of the Association: Municipal Development, Social Development, and the Legislative and Resolutions Committee. Immediately prior to the AMO Board of Directors meeting, the Association also forwarded the draft report to all interested affiliated associations.

ACKNOWLEDGEMENTS

The Association's committee was comprised of representation from all component groups of the organization. The recommendations developed reflect the consensus process of the committee and do not necessarily illustrate the views of their affiliated organizations.

The Association would like to acknowledge the following individuals who served on this study and devoted considerable time and effort to the review:

Grant Hopcroft, Alderman, City of London, Chairman
Bill Mickle, Reeve, Town of Exeter
Ron Eddy, Reeve, Township of South Dumfries
Jim Lundy, Treasurer, County of Kent (County and Regional)
Rick Fiebig, Treasurer, City of Kingston (Large Urban)
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Merlyn Bishop, Treasurer, Town of Elliot Lake (Northern Ontario Section)
Vic Silgailis, Director of Engineering, Regional Municipality of Durham (MEA)
Robert Richards, Commissioner of Finance, Regional Municipality of Peel (MFOA)
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HISTORICAL BACKGROUND

Over the years there have been various provincial studies and municipal policy positions on provincial-municipal transfer payments. It may be useful to view the principles and recommendations of this study in the context of major historical policies and events. The following chronology is presented to provide further background to this report.

The Edmonton Commitment, 1973

In the 1970s, the Association of Municipalities of Ontario participated in a series of tri-level meetings with federal, provincial and municipal officials on issues of interest to all sectors. At the November 1973 tri-level meeting John White, the Treasurer of Ontario and Minister of Intergovernmental Affairs, announced that the Ontario government would agree to a "revenue-sharing commitment" with municipal governments. The Province of Ontario agreed to increase transfer payments to municipalities at the same rate as the growth rate of provincial revenues. In 1973, the growth rate was approximately 12 per cent.

This commitment was included in the 1973 Provincial Budget, which stated that the Government of Ontario agreed to:

1. increase transfers to municipalities and agencies at the rate of growth in provincial revenues.

2. pass on to local governments the full benefit of any net gains in new unconditional tax sharing from the federal government.

The 1973 provincial budget also contained a comprehensive plan to financially assist local government. The plan was based on the "Property Tax Stabilization Plan". The following is a brief description of its key elements:

- a new resource equalization grant
- a special allowance for temporary population in the resource equalization grant
- a new general support grant
- the northern support grant
- increases in the police per capita grant
- provincial support to education to be raised to sixty percent
- an enriched subsidy for the education mill rate
- broadening of local tax base - payments in lieu for public institutions
- enriched specific conditional grants
- increased assistance to the county road grants program.

This information is provided as a backdrop to discussions on provincial-municipal financial reform. The most noteworthy aspect from an "historical" point of view is the fact that the 1973 provincial budget referred to provincial-municipal transfer payments as a "revenue-sharing commitment".

However, the revenue-sharing commitment, or Edmonton Commitment as it became known, was in place for only two years, as Table 1 illustrates.

Table 1

Provincial-Municipal Revenue-Sharing under the Edmonton Commitment

(%)

Year	Growth Rate in Provincial Revenues	Growth in Transfers to Local Governments
1974-75	18.9	16.3
1975-76	10.3	18.7
1976-77	19.4	8.2
1977-78	12.9	6.2
1978-79	12.6	8.4
1979-80	9.6	5.0

Source: Ontario Budget Documents, Ministry of Treasury and Economics.

From 1976-77, there was no further movement on the part of the provincial government to associate the level of transfer payments to local government with the overall increase in provincial revenues.

AMO has always been supportive of the Edmonton Commitment. The Association believes that access to sharing other forms of tax revenue is crucial in order that the revenue capacity matches the service needs and the legislative requirements imposed by the provincial level on municipalities.

Report of the Commission on the Reform of Property Taxation in Ontario, 1976

The province established the Blair Commission in 1976 to examine the property tax system and methods of assessment of property. The Commission also looked at the appropriateness of property tax as a municipal revenue source. It concluded that "the property tax was an appropriate means of defraying costs which remain under a measure of local control". The report stated that all property should be assessed at market value, which would be phased in uniformly over a five year period.

In response to the Blair Commission, the Association urged the government to implement property tax reform as soon as possible. The Association supported using Section 63 of the Assessment Act as a phase-in mechanism. The Association also noted that tax reform would have to be accompanied by grant reform in order to achieve true fiscal improvements.

The Report of the Provincial-Municipal Grant Reform Committee, 1977

The Provincial-Municipal Grants Reform Committee was established in 1976 to review the existing system of grants and to study the possibilities of grant reform. In 1977, the Committee reported that significant streamlining of the grant system was required. The Committee stated that an enriched unconditional grant program was needed. It recommended that "mature" grants for municipal services, such as roads grants, be deconditionalized. If the service was totally a municipal responsibility, such as municipal public libraries, the Committee recommended that the grant be eliminated. The Committee stressed that the present aggregate funding level be maintained and the total level of funding to municipalities not be decreased through the elimination or deconditionalization of specific grants. Some conditional grants should still be available as a means of meeting emergencies or urgent provincial priorities. The Committee also considered property tax reform a necessary accompaniment to grant reform.

The Association supported the principles and key recommendations of the Provincial-Municipal Grants Reform Committee. The provincial government, however, did not initiate any serious examination of the proposals of the study.

Report of the Provincial-Municipal Long-Term Financial Arrangement Committee, 1979

With the demise of the Edmonton Commitment, the Minister of Intergovernmental Affairs agreed to the formation of a Provincial-Municipal Committee to develop a new transfer payment formula. The Committee reported in 1979 and recommended a three year funding arrangement for municipal transfers, using the 1979-80 conditional and unconditional grants as a base. The rate was to be escalated by the rate of the increase of provincial ministry expenditures. Provincial "revenue" and Ministry "expenditures" were clearly defined. Any major changes in municipal responsibilities for service delivery were to be accompanied by an appropriate adjustment in funding.

The above recommendations were presented to the Premier of Ontario in 1979, but received no further consideration by the provincial government.

Ministry of Municipal Affairs Discussion Paper on Cost-Sharing and Unconditional Grants, 1983

In 1983, the Minister of Municipal Affairs released proposals on municipal cost-sharing and unconditional grants for public discussion. The key proposal put forward was the elimination of the six unconditional grants and replacement with two grants based on households. The proposed system would have recognized two service levels: a basic service grant and a special service grant.

The paper also encouraged county region-wide reassessment under Section 63 of the Assessment Act which would lead to a uniform upper-tier mill rate and produce equity among ratepayers living in different areas of the same county or region. The report also suggested the elimination of payments-in-lieu of taxes from the cost-sharing calculations of upper and lower tier municipalities.

AMO did <u>not</u> support an unconditional grant system based solely on households but recommended a blended system of household and levy based grants. AMO urged the retention of the General Support Grant and the Northern Support Grant. The Resource Equalization Grant was to be retained at approximately 10% of each years unconditional program to assist those municipalities with a deficient assessment base.

The government did not pursue their 1983 proposals due to widespread municipal opposition and concerns raised by AMO regarding the financial shifts for municipalities. A result of these discussions was the establishment of the existing joint annual review by AMO and the Ministry of Municipal Affairs of the unconditional grants formula to achieve some degree of reform without massive shifts in levels of assistance to municipalities.

Taxing Matters: An Assessment of the Practice of Property Taxation in Ontario, 1985

In 1985 the Minister of Revenue commissioned a study of the assessment of property, particularly assessment of residential improvements. The study also included the role of municipalities in the assessment process and reviewed the progress of the reassessment programs across the province. This study had a much narrower mandate that any of the others as mentioned above. To date many of the recommendations have been enacted by the government.

AMO Submission to Provincial Cabinet, 1988

At the March 1988 AMO presentation to Provincial Cabinet, the Association requested:

> ... that the government establish a provincial-municipal committee for the development of a new and responsive provincial-municipal transfer payment system.

Both the Premier and Treasurer agreed to this suggestion.

In its 1988 Submission to Cabinet, the Association clearly identified municipal concerns with the provincial-municipal financial environment.

> AMO suggests that the provincial-municipal financial partnership needs adjustment. Municipalities have less flexibility than ever before in responding to local needs. Municipalities are restricted by an unresponsive financial base, and are unable to react to existing and future trends in their communities. There is an increasing inability to respond to new government regulation and there are competing demands for limited resource dollars.

This conditional grant review study was undertaken to develop the foundation for the development of an improved and more responsive transfer payment system.

AMO Response to the 1989 Transfer Payment Announcement

The Association of Municipalities of Ontario regards the 1989-90 transfer payment Announcement of December 1988 made by the Treasurer of Ontario and the Minister of Municipal Affairs as a fundamental policy change which not only impacts provincial-municipal finance, but also provincial-municipal relations.

AMO stated in its report and at every subsequent meeting with government in 1989 that the announcement marks a significant financial policy direction of the current government.

In its comments, AMO made specific reference to the problems created by the flat-lining of the Unconditional Grant Program:

- program objectives not achieved - inadequate resources to operate local programs and services
- revenue shortfalls
- formula distortions creating further inequities
- uncertainty regarding the future

AMO 1989 Presentation to the Standing Committee on Finance

In March 1989 AMO representatives presented a brief to the Standing Committee of the Legislature on Finance and Economic Affairs as part of the formal pre-budget consultation process of the government.

"Property Tax. A Provincial Tax" is a strongly worded statement. In its preface AMO questioned the "hidden agenda" of the Province of Ontario.

- The "hidden agenda" is to access municipal revenue sources, both property taxes and others such as lot levies.
- Provincial programs are being shifted to municipal government.
- The Province continues to under-fund existing and new programs by historically inadequate cost-sharing formula.
- The Provincial government continues to announce increased services and programs enhancements without changing the provincial-municipal funding relationship.
- The Provincial government is passing their "contentious" decision-making to the local level"

AMO 1989 Submission to Provincial Cabinet

On April 8, 1989, the Association and the Ontario Municipal Administrators Association presented to Premier David Peterson and Cabinet a joint submission, entitled "Salvaging the Partnership".

AMO President, Stephen Clark, voiced a clear and strong call for reform, which was the theme of the Association's Special Meeting on March 30, 1989. The President noted that Ontario municipalities have detected a change in the Province's attitude in the past year. Local governments face a barrage of new provincial initiatives and policies which shift greater financial burdens to the municipal revenue base. The Association felt that this shifting of provicial responsibilities onto municipal government had not been accompanied by the financial resources to carry out these new tasks, in spite of the continued strong performance of the provincial economy.

THE PROVINCIAL-MUNICIPAL FINANCIAL ENVIRONMENT

It is appropriate to first examine the current structure of provincial and municipal finances before proceeding with an extensive review of the conditional grant program system. The composition of revenues and expenditures at both levels of government has changed over the past decade. Furthermore, there are a number of emerging trends in public attitudes, provincial legislation and the composition of Ontario's population which will pose challenges to provincial and municipal policy-makers in the future.

This chapter will discuss:

- a comparison of transfer payments for 1977 and 1987
- municipal revenues and expenditures
- provincial revenues and expenditures
- emerging trends in government spending.

The data in this chapter is taken from "Local Government Finance in Ontario, 1986", published by the Ministry of Municipal Affairs, Ontario Public Accounts, Ontario Budget documents from 1977 to 1987, and "Provincial and Municipal Finances, 1987", a publication of the Canadian Tax Foundation.

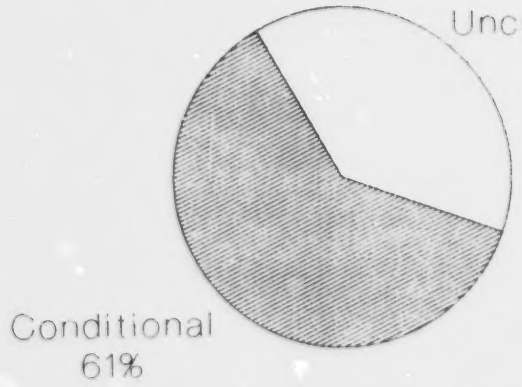
PROVINCIAL-MUNICIPAL GRANTS, NOW AND THEN: 1977 AND 1987

In 1977, the Province of Ontario transferred approximately $1.4 billion to municipal governments, not including payments to school boards. These funds were distributed through over 90 different conditional grant programs. In 1987, the province transferred $3.9 billion in funds through over 100 conditional grant programs. This represents an increase of 178.5% in the level of transfer payments. Over the same period of time, however, the Canadian consumer price index increased by 215 per cent. In real terms, therefore, the level of transfer payments to municipal governments was 16.7% lower in 1987 than in 1977.

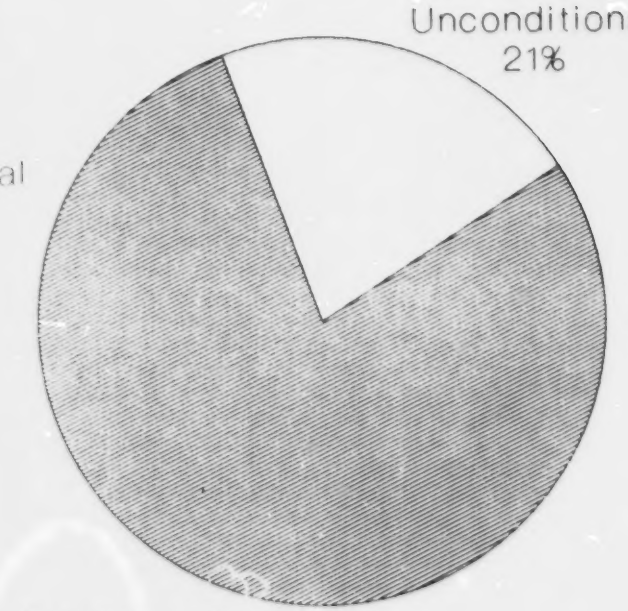
Table 1 provides a comparison of the composition of the transfer payment system in 1977 and 1987. In 1977, conditional grants comprised 61.3% and unconditional grants only 38.8% of total transfer payments. In 1987, conditional funding had increased to 78.6% and unconditional funding had decreased to 21.5% of all transfer payments.

Table 2 provides a comparison of funding in 1977 and 1987 for recreation, health, environment, social services and transportation programs. Comparable data was not available for all program areas which currently exist. Unconditional grant transfers are included for comparison. Table 2 illustrates the high growth experienced particularly in the social services and transportation areas.

Table 1: Total Transfer Payments, 1977 and 1987

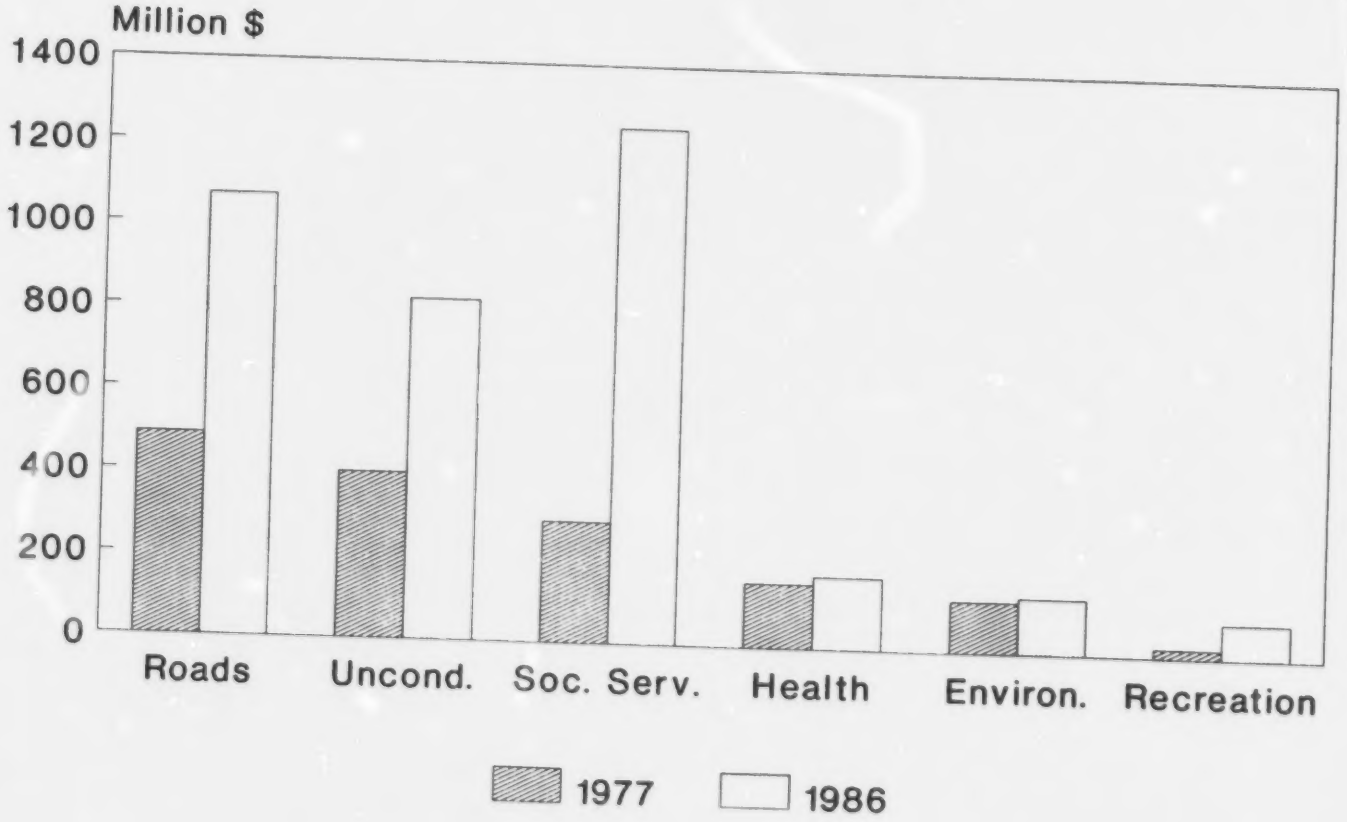


1977
$1.4 billion



1987
$3.9 billion

Table 2: Program Support
1977 and 1986



MUNICIPAL FINANCES

Unless noted otherwise, the data used in this section is from Local Government Finance in Ontario, 1986, published by the Ministry of Municipal Affairs. The 1986 version was the most recent edition available for this study.

Municipal Revenue Mix

Real property taxes and other property-based taxes, such as business taxes, are the most important source of municipal revenue. In 1986, taxation accounted for $3.84 billion, or 36%, of the $10.58 billion of municipal revenues. Another important revenue source is transfers from the federal and provincial governments, which accounted for $3.2 billion, or 31%, of total municipal revenues. User fees accounted for $1.73 billion, or 16%, of total revenue. Other revenues accounted for the remaining 17% of total municipal revenues.

Municipalities experienced a very moderate rate of revenue growth. Total municipal revenues increased 8.3% in 1986 over 1985 levels. Between 1977 and 1984 municipal revenue increased annually an average of 9.4 per cent. In 1986, transfer payments to municipalities increased by 5.0% over 1985 levels.

Municipal user fees and other fees have grown steadily over the past decade. In 1986, user fees increased by 8.9% over 1985 levels, which were in turn 8.2% higher than in 1984. Using an annual percentage increase from 1977-1984, user fees increased 12%, the highest of any other municipal revenue source. This illustrates that the municipal sector is seeking additional revenue sources to reduce its dependence on property taxes and provincial grants.

The Ministry noted that the level of new borrowing for both municipalities and school boards "accelerated sharply" by 23.1% and 15.6% respectively.

> The continuation of a favourable climate for borrowing, including low interest rates and longer terms of repayment reinforced the attractiveness of this source of revenue.

The Ministry of Municipal Affairs estimates that total municipal revenue will increase by 8.7% to $11.32 billion in 1987. The composition of the municipal revenue mix is not expected to change substantially from its current arrangement.

Municipal Expenditures

In 1986, municipal operating expenditures were $8.97 billion, an increase of 7.4% over 1985. The major expenditure areas are general government, protection services, transportation, environment, health and social services, culture and recreation, and planning and development.

Total expenditures by these major areas is shown in Table 3. The table shows that since 1977, municipal expenditures for general government and health and social services have increased, whereas expenditures on transportation and culture and recreation have decreased. Transportation accounted for $2.12 billion of municipal expenditures, or 24% of total expenditures. Transportation is the largest spending area for all types of municipalities, except for Northern Ontario, where health and social services consume the majority of the municipal budget. The second highest expense is health and social services, which consumed $1.8 billion in 1986, an increase of 8.7 per cent. The next major expense item is protection services, such as police and fire departments, which totalled $1.6 billion or 18% of total expenditures. Protection expenditures were the highest in Metropolitan Toronto and the lowest in counties and districts. Most rural municipalities, in addition to receiving assistance from free OPP services, also maintain volunteer fire departments. The fastest growing expenditure area was the environment, which includes sewers, water and solid waste. Spending for water services increased 12%, primarily due to debt charges.

The Ministry of Municipal Affairs estimates that municipal government expenditures would grow moderately by 8.2% in 1987. Transportation, protection services and health and social service expenditures will continue to consume the majority of the municipal budget.

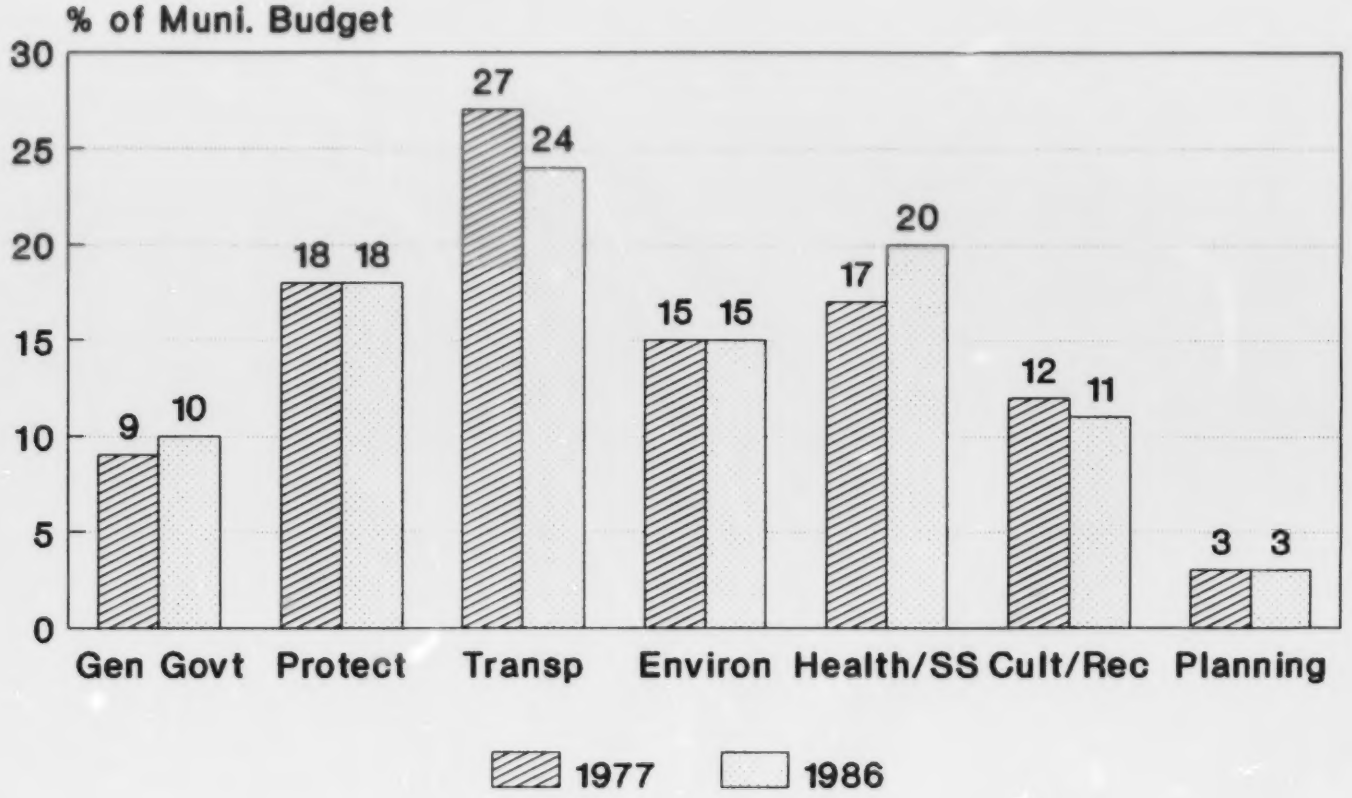
According to the Ministry of Treasury and Economics, "Economic Outlook and Fiscal Review, 1988", municipal spending in 1988 is expected to grow by 11.8% per year.

> This growth continues to be led by the areas served by regional governments, excluding Metro Toronto, which account for 40% of municipal spending. These areas are generally experiencing above-average growth as measured by the growth in households.

For municipalities not within the regional government structure, spending growth is expected to average only 8.35%.

The Association is concerned with the rise in municipal expenditures and has concluded that some of these increases are a result of new legislation, regulations and new programs being devolved to the municipal level of government. This issue is discussed in further detail in the "Emerging Trends" section of this chapter.

Table 3: Municipal Expenditures
1977 and 1986



Ministry of Municipal Affairs

PROVINCIAL FINANCES

Unless otherwise noted, the data in this section is contained in the 1988 Ontario Budget, published by the Ministry of Treasury and Economics. Although more recent statistics are now available in the 1989 budget documents, AMO has used 1988 information to enable comparison to 1988 municipal data.

Provincial Revenue Base

The Provincial government has a much broader range of revenue sources than municipalities, which includes taxation, federal transfer payments and other budgetary revenue. The estimated total budgetary revenue for 1987-88 was $32.50 billion. This was an increase of 10% over the total of $29.54 billion in 1986-87.

The three major taxation sources are the personal income tax, corporation taxes and the retail sales tax. In 1987-88 these three taxes alone accounted for $19.78 billion, or 61% of total revenue. Total taxation revenue accounted for $22.5 billion, or 69%, of the province's total budgetary revenue.

Payments from the Federal Government accounted for $4.98 billion, or 15% of total revenue. There are two major components of federal transfers. The first is the Established Program Financing, which accounted for $2.77 billion to cover health and education costs. The second is the Canada Assistance Plan, which transferred $1.31 billion to the province for social service expenditures.

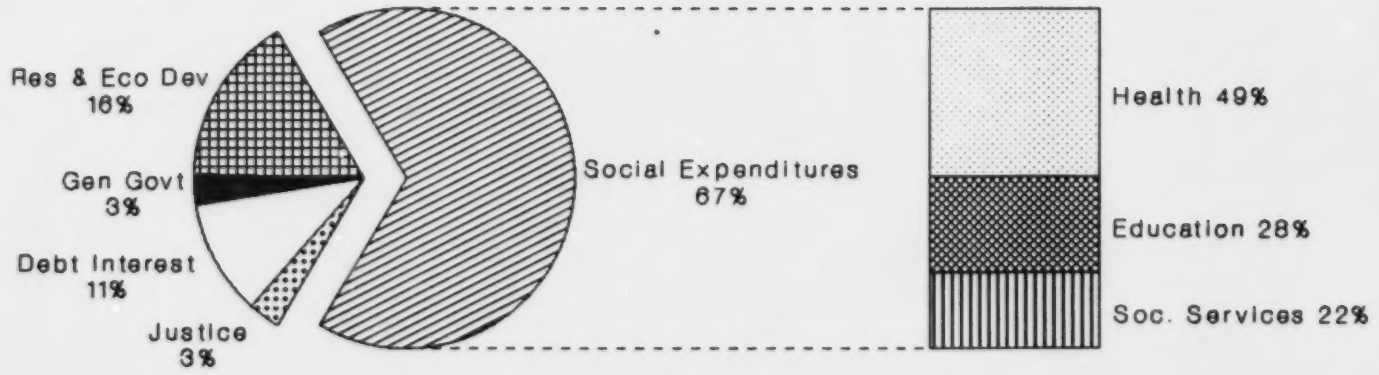
Other revenue sources, such as OHIP premiums, LCBO profits, lottery profits, fees and licences, accounted for the remaining $5.0 billion, or 15%, of provincial revenues.

Since 1981, there has been a steady increase in the provincial revenue base. In 1979-80, provincial budget revenue was only $14.2 billion, or 44% of its current level. This increase in revenue has been sustained largely through increases in the personal income tax, retail sales tax and the corporations tax. The percentage contribution of federal payments and other revenues has decreased over the last four years. The province estimates total revenue in its 1988-89 budget plan to increase by 11.8% to $36.34 billion. Taxation revenue is estimated to increase slightly to 71% of total revenue, with other revenue dropping to 14% and federal payments remaining constant at 15% of total budgetary revenue.

Provincial Expenditures

In 1987-88, the province will spend $34.88 billion. This is an increase of 8.4% over the 1986-87 level of $32.18 billion. Table 4 shows the breakdown of provincial expenditures into major program areas. Expenditures on social programs, which include health, education and social services, account for $23.37 billion, or 67%, of total expenditures. Spending on resources and economic development accounts for 17% of the total. In addition, the Chart -Table 4: Provincial Expenditures, 1987-88 (pie chart)

Table 4: Ontario's Expenditures
1988-1989



Ministry of Treasury & Economics

The composition of Ontario's expenditures has changed over the past decade. Expenditures for health and social services have increased dramatically, while funding for education, resources and economic development has declined. For example, over the period 1977/78 to 1987/88, health and social services expenditures increased from 38% to 46% of the total budget, whereas expenditures for resource and economic development dropped from 20% to 17%.

Due to the growth in the provincial economy, the Treasurer of Ontario was able to address four priority areas in provincial spending in the 1987-88 Provincial Budget. Additional funding was provided for education, including post-secondary education. Eastern and northern Ontario received additional funds for roads and economic development. Capital funding for infrastructure and servicing was increased for schools, roads, transit, and housing. There were also increases for certain social programs, such as day care and elderly services.

EMERGING TRENDS

There are a number of emerging trends which will have an impact on the municipal sector. The Association is concerned with the rise in municipal expenditures, much of which has been created by increased legislation and regulation by the provincial government. Some of the new programs announced within the past year will have an even more significant impact on property taxes and municipal expenditures: pay equity, new occupational health and safety legislation, broadening of accessibility for childcare, increased welfare rates, environmental regulations, stricter standards for landfill, the costly and time consuming public participation processes for developing waste management systems and locating sites.

At the level of an individual Ministry, the impact of new legislation or the addition of another cost-shared program may not appear significant. However, AMO is concerned with the collective impact of these changes.

The Association is concerned about the following trends which challenge the adequacy of the current provincial-municipal relationship.

- Public attitudes about the environment and pollution have lead to increased environmental regulation. AMO and municipalities support the government's actions but there will be significant costs which cannot all be financed from the property tax base or the existing grant programs of the Ministry of the Environment.

- Municipal wage settlements and non-wage compensation have generally been at or slightly below the inflation rate (with the exception of police and fire arbitrated settlements). Although municipalities support the principles of the pay equity legislation, the financial impacts, particularly for those programs

cost-shared with the provincial government, cannot be ignored. For example, the costs of wages for pay equity do not appear to be a shareable expense of General Welfare Assistance Administration costs.

- Ontario's population is growing rapidly as a result of immigration from other provinces and other countries. The areas around Metropolitan Toronto are experiencing the most rapid growth. Growth in population inevitably means a increased demand for all government services, including municipal. Projections suggest that between 1986 and 1991 the annual rate of population increase will be just over one percent. Ontario's population is projected to reach 9.7 million in 1991 and 10.7 million by 2006.

- Changing demographics, changing employment patterns, the increased participation of women in the work force, and the growing seniors population are all factors influencing provincial and municipal services. There is a steady "aging" of the population and labour force. By 2021 persons over 65 years of age will constitute 20% of the population, twice the current proportion of the population. The Association is aware that the new demographics will have an influence on provincial priorities and consequently the role and responsibilities of municipal government in meeting these needs.

- There is an overall demand for community-based delivery programs and an increasing demand for local solutions to problems. This is evidenced in past government policy decisions, such as the deinstitutionalization of ex-psychiatric patients by the Ministry of Health and the current corporate strategy of the Ministry of Community and Social Services to provide more services in the community where people live.

- The lack of "affordable" housing in many areas of the province, particularly the urban areas, is influencing provincial decision-making and municipal planning processes. Municipal governments will be called upon to expedite their development processes and provide the opportunity for a "range" of housing types to meet these needs. The end result will be a higher reliance on community services.

- The Charter of Rights and Freedoms and the revisions to the Ontario Human Rights Code are having a significant effect on many government services. The Equality provisions, Section 15 of the Charter of Rights and Freedoms, have led to increased public awareness of equal access to government services. The impact will be significant for such services as disabled transit and social programs.

- School funding has a significant impact on the municipal government tax base. In 1987-88 the average provincial level of support to education was 49.4 per cent. The average contribution from the property tax was 50.9 per cent.

School taxes have contributed more to the rise in the mill rate, growing at a rate of 8.3% annually since 1982, compared to 6.9% annual growth in municipal taxes.[1]

- Imminent federal tax reform proposals may have a significant impact on federal-provincial transfer payments, provincial-municipal transfers and taxation policy for goods and services. The impact of the second stage of federal tax reform which may introduce a new broadly based national sales tax is yet to be determined.

The Association is concerned with the rise in municipal expenditures and has concluded that these increases are a result of more new programs devolved to the municipal level and the cost of new legislation and regulation. AMO states that the provincial-municipal financial partnership needs adjustment. There is an increasing inability to respond to government's new priorities, and there are competing demands for limited resources.

Therefore AMO has initiated this program-by-program review of all provincial conditional grants.

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[1] Economic Outlook and Fiscal Review: Ontario 1987, pg. 85.

PRINCIPLES FOR GRANT REFORM

OBJECTIVE

There is a need to assess whether the myriad of provincial conditional grant programs are adequately serving the needs of municipalities in Ontario. As stated previously, the Association established this review with the following mandate:

- to review all provincial conditional grants in terms of their adequacy in meeting municipal needs.
- to review all provincial conditional grants in terms of their structure and administration.
- to review all conditional grants and develop a consistent and comprehensive Association policy on provincial-municipal financial relations.
- to analyze the relationship of the unconditional grant program with the many conditional grant programs and the effect of each funding mechanism on municipal decision-making.
- to promote with our provincial partners a transfer payment system more responsive to today's environment.

In undertaking this task the Association had a fundamental and underlying objective:

> Municipal government requires a stable financial base which enhances local decision-making, complements political and financial accountability and enhances both levels of government to facilitate the provision of services to its citizens. Such services and funding priorities should be establish through long-term strategic planning and intergovernmental consultation.

Prior to examining the specific conditional grant programs of the Province of Ontario and their impact on municipalities providing services to their citizens, it was necessary to first establish a set of principles which would guide any recommendations for reform. These principles act as signposts throughout the analysis of the existing conditional grants system. The next step in the review process is the implementation of these principles into a decision-making model.

Recommendations for reform are based upon the following principles:

- enhancement of municipal autonomy
- clarity in intergovernmental relations
- recognition of political accountability
- adequacy
- structural simplicity
- diversity
- timeliness
- responsiveness.
- equity
- reliability of funding

PRINCIPLES FOR GRANT REFORM

Enhancement of Municipal Autonomy

The Association supports the concept that municipal government is the level of government which is closest to the people and, therefore, the most responsive to local needs. It is recognized that the existing grant system diminishes local autonomy in that the many conditional grants undermine the ability of municipalities to respond to local priorities. In particular, financial assistance is channelled into specific programs established by the province, and not by the municipalities themselves. This interferes with the ability of many municipalities to provide programs based on their local needs.

Clarity in Intergovernmental Relations

Canadian constitutional law provides that the provinces are responsible for "municipal institutions" within their boundaries. The provinces delegate in legislation authority to municipal institutions to carry out certain municipal functions.

Responsibility must be accompanied by financial capability as well as delegated authority. Responsibility must be clearly defined in legislation. Therefore, if the federal or provincial government imposes regulations on municipalities, it is incumbent upon senior levels of government to compensate municipalities for the cost of compliance.

There should be a clear understanding for each program of the functions and responsibilities of each level of government. The Association acknowledges that any future provincial-municipal transfer payment system should not undermine the provincial government's ability to carry out its responsibilities. AMO recognizes that certain functions and programs are best delivered and financed at the provincial level in order to achieve equity in service across the province and to realize economies of scale. However, there are some functions

and programs that are best delivered at the local level. The Association believes that these locally delivered programs should be municipally administered with a degree of control and discretion by the municipality.

Recognition of Political Accountability

The principle of political accountability was clearly enunciated in the 1976 Report of the Commission of the Reform of Property Taxation in Ontario which concluded "that the property tax base was an appropriate means of defraying costs which remain under a measure of local control". For example, funding for a service should not be based on the municipal property tax if the municipality is strictly the administrative agent for a service which is mandatory and strictly regulated by the provincial level of government. Therefore, there must be a logical relationship between the amount of municipal control in providing a service and the degree to which the municipal property tax base supports that service.

Adequacy in Funding

The Association believes that the funding levels of conditional grant programs should support the stated intent of the program. For example, there should be sufficient funds allocated to capital programs. All eligible municipalities should receive increased financing equal to the inflation rate or the construction index.

Where federal regulations or provincial regulations are imposed on municipalities, there should also be adequate cost-sharing from the level of government imposing the standards to cover the costs of compliance with these standards.

Structural Simplicity

There is a need for a simplified grant structure in order to save time and money. A simplified structure would also enhance accountability by making the finance system more understandable to the lay person. To achieve this simplicity it was suggested that the number of grants would have to be reduced; there would be periodic reviews of the remaining grants, and the administration of remaining programs should be streamlined.

Diversity

There is considerable variety in municipal structures in Ontario. There are considerable differences in the financial ability of municipalities to provide local services. Without a mechanism of equalization, the level of even basic municipal services will vary greatly from municipality to municipality. Municipal expenditures will vary depending on municipal differences in size, price of resources, geography and climate. Therefore, the future grants structure should reflect this diversity.

Timeliness

In order to properly budget and plan, municipalities need advanced information regarding transfer payments to municipalities. The Association has urged the government of Ontario to announce the details of all transfer payments by November 15th of the year prior to the transfer payment year. Consultation prior to announcement is essential.

There has been some improvement in this area. The unconditional grant announcement is usually made in December of the year prior to its implementation. At that time many Ministries provide general statements regarding the upcoming level of support to municipalities, such as the roads announcements from the Ministry of Transportation and the social service rate increase from the Ministry of Community and Social Services. The Association would prefer that all Ministries provide more complete information in the late fall of the year.

Responsiveness

Provincial-municipal financial relations and the transfer payment system itself must be flexible and respond to the changing environment and the diversity of community services. The grant program must reflect new government priorities. The grant programs should be adequately funded to meet high growth service areas.

Equity

An equitable or fair transfer payment system should be one of the main goals of grants reform. It is difficult however to achieve an equitable system by trying to fix-up the current system. This type of process too readily defines the winners and losers of changes and changes therefore will never be supported.

Another approach in attempting to achieve an equitable system and having it supported would be to develop a program in isolation of the current system. At the outset, agreement should be reached that municipalities do require a certain level of support from the Province. From there, the level of support and the method of receiving that support should be determined based on a set of principles and on reaching agreement of these principles then any grant program based on these ideals will be supported. Once an ideal level of support is devleoped along with how this funding should be transferred, it should be compared to the current level of support and methods of transferring funds. After comparison, a new system should be designed recognizing that there will be changes, but these changes will be right and fair and based on agreed principles, goals and objectives. Municipalities must recognize that they will be and shold be effected by changes to grant programs. It is time that the Province stop protecting municipalities. Past practices often benefited those who should have been paying more or receiving less grant dollars (i.e. education apportionment protection, unconditional grant revenue guarantee) and have resulted in a less than equitable system.

Reliability of Funding

It must be made clear to the Province that municipalities do not necessarily want more grant dollars. Rather municipalities want sources of funding that are more elastic and express a long-term financial partnership. Municipalities need financing policies that are stable and allow them the ability to plan into the future and policies which would replace current ad hoc policies and practices.

THE AMO DECISION-MAKING MODEL

The Association has developed the following decision-making model in order to approach each grant program in a consistent and comprehensive manner. The model will also provide a framework for the implementation of the above principles.

Analysis of the conditional grant programs raises a number of fundamental issues related to intergovernmental roles and responsibilities. Basic questions in reviewing funding programs are:

> What is the municipal role in delivering this service? Is this primarily a municipal responsibility?
>
> What is the provincial role for this function? Is or should this be primarily a provincial responsibility?
>
> Are the needs of municipalities in providing this service being met by the current grant structure? Are the needs of municipalities being met by the level of provincial support?
>
> Can this function be financed from municipal revenue sources? Should this function be financed from provincial revenue sources?

For each Ministry review, these types of issues will be discussed.
The following decision-making criteria were established for this review:

1. If the service is deemed a municipal responsibility, then the transfer payment for the service should be:

   (a) deconditionalized
   or
   (b) eliminated

The financial support for the program may still be necessary due to the varying fiscal capacities of municipalities. Therefore, the provincial allocation would not be lessened in any way, but transferred in an unconditional grant format which recognizes municipal autonomy.

2. If the service is deemed a provincial responsibility, then the function would be delivered either by:

   (a) the provincial government
   or
   (b) a 100 percent provincially funded grant program with an administrative cost recovery system (if local delivery is deemed beneficial)

3. If the service is regarded as a provincial-municipal responsibility, then the program would be delivered through a conditional or a block grant on a cost-shared basis.

   The conditional grant would be structured as follows:

   (a) If the provincial government mandates the program, and establishes strict administrative and regulatory controls and standards, provincial contribution to the cost sharing formula would be significantly high.

   (b) If the program is voluntary and municipal government is accountable for the funding and management of the programs, the provincial contribution to the cost-sharing program would be at a lesser rate than for a mandated program.

   A block grant would be structured in such a way that the transfer payment would be designated to a policy area, not a specific program. Under a block grant, there would be some legislative requirements, principles and standards for delivery of programs, but the municipality would have discretionary authority in providing programs and services within the policy area. These services would be designed for local circumstances.

PART II

A NEW APPROACH TO PROVINCIAL-MUNICIPAL FINANCE

THE FOUNDATION FOR REFORM

New Roles and Responsibilities

The Association's review of the conditional grant programs has been in fact a review of the provincial-municipal partnership on delivery services to Ontario's citizens. The review is based on the fundamental questions:

> **Who is now responsible for this service?**
>
> **Who should be responsible for delivery of this service in the future?**

A decision-making model based on roles and responsibilities was applied to each program areas. What has resulted are recommendations for reform to achieve "disentanglement". "Disentanglement" means that the level of government primarily responsible for managing a program, should be held accountable for that program and contribute to its funding. Municipalities therefore must no longer be held accountable for programs over which they have little control nor should they be required to cost-share such programs.

This study addresses the most fundamental issue facing municipal governments today that is, the relationship of municipal government with the provincial government. On the surface the problems appear financial. However, on closer examination it has become evident that reform must begin by first recognizing and promoting the importance of local government in our democratic system.

AMO based its examination of the relationship on fundamental principles:

- municipal autonomy
- political accountability
- diversity
- adequacy
- timeliness
- responsiveness

AMO has an objective

> Municipal government requires a stable financial base which enhances local decision-making, complements political and financial accountability, and enables both levels of government to facilitate the provision of services to its citizens. Such services and funding priorities should be established through long-term strategic planning and intergovernmental consultation.

The Association therefore presents its recommendations for reform.

WHY REFORM

It is useful to provide a brief back-drop of the current provincial-municipal fiscal environment.

These are some of the issues which prompted this review. Some arose while the study was in process.

* There is increased reliance on conditional grants. The municipal revenue base is becoming increasingly reliant upon provincially controlled conditional grant programs. These conditional grant programs vary in structure and administrative requirements from Ministry to Ministry, are often complex, and must be used for specific purposes to meet provincial program standards and priorities. The municipal sector is concerned with this growing reliance on the conditional grants system, at the expense of the Unconditional Grant program, and the increasing control by the Provincial Government over local affairs.

* Unconditional Grants, which have been traditionally regarded as basic support grants to municipalities, have not increased in line with Provincial revenues, or in line with increases in conditional cost-shared programs or inflation. While this study was in process, the 1989 Unconditional Grant Program was flat-lined. The then Minister of Municipal Affairs, John Eakins stated that Provincial priorities would be funded through specific conditional grants, rather than through the Unconditional Grant Program.

* In 1989 the Provincial Auditor published a critique of the current Unconditional Grant Program, highlighting deficiencies and suggesting that a thorough review of the program and its objectives was appropriate. The Association has long been aware of the glaring inadequacies of the current Unconditional Grant Program, and in 1987 and 1988 attempted to work co-operatively with the Ministry of Municipal Affairs to improve the program. However, as improvements were costly, little true reform was achieved. In 1989 the program was flat-lined. It can be concluded that unless program reform is achieved, the Ministry of Treasury and Economics will continue to "restrain" the program.

* Some key program areas of the current provincial-municipal fiscal scene, are inadequately funded. Insufficient Provincial support to certain cost-shared programs has resulted in these short-falls being assumed by the municipal revenue base, the property tax. Key Ministries with funding problems are:

  Environment - Waste Management, Sewerand Water
  Transportation -Roads
  Community & Social Services - Income, Maintenance, Child Care, Seniors, Community Support programs, Homes for the Aged.
  Other Programs - Conservation Authorities, Specialized Transit, Recreation

The Provincial Government does have a definite program of devolution of responsibility to the local level.

* The shift of provincial responsibilities to municipalities has not been accompanied by the necessary funding to pay for these services. The most recent example of this was the transfer of the responsibility for court security to municipal police forces.

* In addition to devolution of responsibility, the Provincial Government has announced program enhancements and legislative improvements to municipal and joint programs, without providing increased subsidies. The province has assumed the "political" credit for these progressive measures, while municipalities and the local taxpayers have had to assume a substantial portion of the bill. Municipalities and the Association are generally supportive of the intent of such initiatives as pay equity, WHMIS (Workplace Hazardous Materials Information System) and the Municipal Industrial Strategy for Abatement (MISA). There is disappointment that the majority of these costs will be assumed by the property taxpayer.

* The Province of Ontario, in its search for new revenue, has intruded into the limited municipal revenue base. In the spring 1989 Provincial Budget, the province introduced lot levies to finance certain school capitol expenditures in "high" growth areas. The commercial concentration tax levy is a further intrusion into the tax base of municipalities of the Greater Toronto Area.

* The education finance policies of the Ontario Government have had a significant impact on the property tax base. Provincial funding to school boards has decreased from a 61.3% average in 1975 to a 44.9% average in 1988.

* Changing demographics, employment patterns, immigration patterns, and the growing seniors population, are all factors influencing provincial and municipal services. The Association is aware that new demographics will influence provincial priorities. Consequently governments must change to meet these needs.

The Association has concluded that financial reform is long overdue. Reform of the provincial-municipal partnership is long overdue. Dramatic change to the transfer payment system is fundamental to enable both levels of government to meet the challenges of "good" government.

Although AMO began this study as a review of our existing conditional grant system, the conclusions are more far-reaching.

AMO RECOMMENDS A "NEW" TRANSFER PAYMENT SYSTEM

The Association recommends the following comprehensive package of financial reform:

I. A stable and consistent municipal revenue base comprised of property tax, user fees, and revenue transfers from the Provincial and Federal governments. Revenue transfers (grants) must be clearly defined in a new revenue-sharing partnership agreement.

II. A new general municipal support grant to replace the current inadequate Unconditional Grant Program.

III. Elimination of some conditional grant programs with the funding allocation distributed to municipalities through the new Unconditional Grant Program - a general municipal support program.

EXAMPLES:
- Municipal Road Grants
- Community Planning Grants
- Community Area Improvement program
- PRIDE
- Community Programs in Recreation
- Wintario Development Program Grants
- Wintario Capital Grants

IV. Elimination of specific Conditional Grant Programs with program responsibility assumed by the Provincial Government. Municipalities could act as a delivery agent for some services, on a full cost recovery basis.

EXAMPLES:
- Income Maintenance & Employment Support Programs
- Child Care
- Children's Aid Societies
- Municipal Homes for the Aged
- Municipal Housing Statement Program
- Ontario Basic Mapping Program

V. For those services assessed as a joint responsibility, retention of the existing cost-shared grant program.

EXAMPLES:
- Transit Specialized Operation and Capital Grant Programs
- Elderly Person Centres
- Homemakers and Nurses Services Program
- Home Support Program
- Lifelines
- Sewer and Water Direct Grant Program
- Conservation Authorities
- A (New) Social Planning Grant Program

VI. Continuation of those programs in which municipalities act as administrative agents for the Provincial Government.

EXAMPLES: **Ontario Home Renewal Program**
Livestock Compensation Program
Shoreline Property Assistance Program
Drainage Works/Erosion Control Programs

VII. Elimination of payments on lieu of taxes with the Federal and Provincial governments paying their full share of property taxes.

I: REVENUE SHARING: A STABLE MUNICIPAL REVENUE BASE

Much has been written on the "adequacy" of the property tax to finance government programs and services. The municipal view is that the property tax is in fact regressive. The Province of Ontario appears to support this concept by providing property tax credits.

The issue is, whether property taxes can continue to act as the prime funding base for new improved programs and services and new responsibilities. Property tax is an unequally distributed resource. There are vast differences in revenue raising capacity amongst the 838 municipalities of Ontario. The increased reliance on property tax to fund services, has accentuated this diversity and inequity in wealth.

Consequently AMO has concluded that property tax must be augmented by a stable and consistent transfer payment system. The transfer payment system must reflect the sharing of roles responsibilities. Consequently our transfer payment system should not be regarded as "grants" or "gifts" but sharing in revenues to fulfil the goals and objectives of the programs.

Other Provincial governments have concluded that a partnership approach to provincial-municipal finance is mutually beneficial. British Columbia, Nova Scotia, Manitoba and Alberta have instituted revenue-sharing agreements with municipal governments.

Under the Revenue Sharing Act (1977) of British Columbia, local government is entitled to funds raised on the following basis:

* One Point of B.C. Personal Income Tax
* One Point of B.C. Corporation Income Tax
* Six Percent (6%) of Shareable Revenues Including:
  - Social Services Tax
  - Gasoline and related fuel Taxes
  - Natural Gas sales and royalties
  - Mineral revenues
  - Forest revenues
  - Land rentals and fees

Revenues from the above sources are distributed to B.C. municipalities through an Unconditional Grants Program, a basic Municipal Grant and through specific conditional grants such as roads, water and sewer. After ten years of experience with this system, the municipal sector and the B.C. government is currently in the process of "re-negotiating" a more responsive division of tax sharing under their Revenue Sharing Act.

The Province of Manitoba has a Provincial-Municipal Tax Sharing Act by which 2.2% of income tax and 1% of corporate tax is transferred to municipalities through General Support Grant and specific conditional grants.
In 1980 the Province of Nova Scotia implemented the Municipal Grants Act which provides basic unconditional operating funds to municipalities. To ensure that municipalities have a growing revenue base, the grant fund is indexed to the rate of increase in gross Provincial revenues.

RECOMMENDATIONS

Recommendation 1

AMO states that reform must begin with a clear statement from the Province of Ontario confirming the Municipal revenue base as:

* Property tax
* Revenue sharing through a transfer payment system
* User Fees

Recommendation 2

The Province of Ontario must reverse its policy of intrusion into the limited municipal revenue base. (This means no further initiatives such as lot levies for school capital construction, or the commercial concentration levy to fund Provincial infrastructure priorities).

Recommendation 3

The Province of Ontario and Association must enter into discussions to develop a revenue-sharing act, similar to other Provinces.

II: A NEW GENERAL MUNICIPAL SUPPORT GRANT

Prior to any "deconditionalization" of existing cost-shared programs or further devolution of responsibility to the local level, it has become evident that the existing Unconditional Grant Program of the Ministry of Municipal Affairs must be replaced with a more "responsive" program.

The structure of the Unconditional Grants Program as it exists today was introduced in 1973. The program consists of three per household grants (general, police, density) two levy based grants (General Support and Northern Support) a resource equalization grant and a revenue guaranteed. There is also a special assistance component. The inadequacies of the current program have been well documented and this report will not elaborate further on this point. The events of the past year, including the impact of the decision to flat-line the program for 1989, have however clearly illustrated that a new program is necessary.

The increased reliance on property tax as a funding source for program improvements and new responsibilities has affected municipal governments differently. Some municipalities do have an assessment base which can support higher level of service. However, many do not. The differences in political structure and revenue raising capability vary greatly across the Province. The increased reliance on conditional grants, at the expense of the "limited" resource equalization component of the Unconditional Program has accentuated this diversity.

The Association strongly states that an expanded and responsive unconditional transfer of revenue to the municipal sector is the foundation of good provincial-municipal fiscal relations. In attempting to find a solution, the Association has modelled its recommendations for a new Unconditional Grant Program on the Nova Scotia Municipal Grants Act, 1988.

The 1979 background report of the Nova Scotia Ministry of Municipal Affairs recognized this fundamental principle:

> "The new grant system should provide a fairly distributed grant fund with an automatic response to changing conditions. It should resolve most of the criticism of the grant programs it has been designed to replace. It will not deter further reliance on user-related charges, a useful additional source of funding that is more under municipal control. Most important, the proposed grant is unconditional, returning to municipalities a considerable degree of autonomy in their expenditure decisions. This feature should contribute significantly to the strengthening of municipal government."

The Association would like to see the Province of Ontario adopt a similar attitude towards unconditional funding and Ontario's municipalities.

RECOMMENDATIONS

Recommendation 4

The Association recommends a new General Municipal Support Grant to replace the existing Unconditional Grants Program.

Recommendation 5

The General Municipal Support Grant would:

* Be an unconditional operating grant
* Indexed proportionate to gross provincial revenues
* The unconditional operating grant would have only 4 components:
* A basic grant based on such factors as Municipal assessment,expenditures, services, and responsibilities.
* An equalization grant based on a new accurate measure of "ability to pay".
* A temporary revenue guarantee to ensure that individual municipalities are not unduly penalized in the transition to a new system.
* Emergency funding. A limited provision for allocating grants to municipalities for "true" emergency situations.

Recommendation 6

The Association recommends that the development of the new General Municipal Support Grant be a priority of the Municipal Affairs Advisory Committee on Provincial-Municipal Finance Matters, for implementation by 1991.

Recommendation 7

Only when there has been sufficient progress towards this new Unconditional Grant system, the Association recommends the "deconditionalization" of specific grant programs.

The General Municipal Support Grant would fund the following basic municipal services:

* Administration and General Government
* Protection Services
* Municipal Roads
* Environmental Protection
* Recreation and Parks
* Public Libraries

Recommendation 8

The Association recommends that the Government of Ontario enter into discussion with AMO to explore the concept of an Unconditional Capital Grants Program.

The Association suggests that a Unconditional Capital Grants Program to augment specific conditional capital programs, should be examined. Such a capital grants system would enable more efficient use of Provincial assistance, provide fairer (more equalized) method of distribution, and enable long range capital planning of the part of both the Province and the municipal sector.

These above recommendations are presented as an alternative to our present system. AMO recognizes that the proposals provide only a brief outline of a new unconditional component of a reformed transfer payment system.

The details, impact analysis, exploration and the development of a new measure of "ability to pay", distributional impacts, etc., are beyond the scope of this report.

AMO urges the Government of Ontario to seriously examine these proposals and commit to a reform-oriented study with the Association.

III: REFORM OF THE CONDITIONAL GRANT SYSTEM

On the previous page, the Association recommended a new transfer payment system, which included reform and streamlining of many of our current cost-shared programs. The conclusions of AMO were based on a fundamental discussion of governmental roles and responsibilities.

The decision-making criteria which facilitated the evolution of the following conclusions regarding transfer-payment mechanisms were:

If the services is deemed a municipal responsibility then funding should be;

(a) Unconditional or
(b) Property tax based

If the service is deemed a provincial responsibility, then the service would be funded and delivered:

(a) By the Provincial Government or
(b) By a 100% provincially funded program and delivered by local government on a full cost-sharing recovery basis

If the service is deemed a joint responsibility, then the program could be delivered

(a) By a conditional grant or
(b) Block grant on a cost-shared basis

The application of this funding model to our existing conditional grants system achieves the "disentanglement" of roles and responsibilities. What should result is a transfer payment system which clearly identifies the partners and their responsibilities and their political accountability.

RECOMMENDATIONS

(Based on the application of the roles and responsibilities decision-making model to the conditional grants programs)

Recommendation 9

The Association recommends that the following services and programs are provincial responsibility:

* Income Maintenance and Employment Support
* Children's Aid Societies
* Childcare
* Municipal Homes for the Aged
* Hospital Funding
* Community Health Programs
* Municipal Housing Statements, etc.

If local delivery is seen as appropriate, this could be achieved by municipal government acting strictly as a delivery agent, on a full cost recovery basis.

Recommendation 10

The Association states that the following are a joint responsibility of the municipal-Provincial (and Federal) government and recommends the retention of a conditional grant program:

* Transit Operation and Capital
* Specialized Transit
* Homemakers & Nurses Services
* Home Support
* Lifelines
* Sewer and Water Direct Grants
* Conservation Authorities, etc.

Recommendation 11

The Association states that municipal governments will continue to act as local agents for the provincial government for the following programs:

* Livestock Compensation Program
* Shoreline Property Assistance
* Ontario Home Renewal Program
* Drainage works/Erosion Control

Recommendation 12

AMO recommends the elimination of payments-in lieu of taxes, and that the Federal and Provincial governments pay their full share of property taxes. (i.e. the Ministry of Health provides payments-in-lieu with regard to hospital beds).

The Association has long stated that all levels of government should pay their full share of property and other municipal taxes. The Association's recommendation is in keeping with the principles of municipal autonomy and recognition of political accountability, that is, legitimate recognition of the self-reliance of local government institutions. Just as municipal government must pay its full share of retail sales tax, and other revenue generating taxes of the Provincial government, so should the "senior" levels of government protect the integrity of the municipal revenue base, the property tax system.

SUMMING UP

There has been much written and said about provincial-municipal fiscal reform. Unfortunately, there has been little action towards reform over the past twenty years.

The Association hopes that this report will promote reform amongst our municipal and provincial leaders.

It may be useful before concluding to resurrect four principles of local government as stated in the 1967 Report of the Ontario Committee on Taxation (Smith Report). The Association recognizes that the conclusions of this study are not "new" to practitioners of intergovernmental finance. It is important to state that these fundamental principals of 1967, are even more relevant to today's environment. A future financial relationship must be developed on these basic tenets.

Local Autonomy

> Municipalities should be accorded a wide measure of discretionary authority over the quantity and quality of the public services entrusted to them, and equipped with sources of revenue both adequate for the discharge of their spending responsibilities and sufficient to ensure direct accountability to the public.

Provincial Responsibility

> This principle draws on the incontrovertible fact that municipalities are creatures of the Province and legally subject to principal statutes. It emphasizes, however, that the considerable power vested in provincial legislatures should only be discharged with reference to an abiding and pervasive concern for the promotion of healthy municipal institutions. Thus, the **power of a province to** create municipalities involves a heavy responsibility for organizing local authorities that will embody a population, area and resources adequate for the conduct of efficient government.

Equalization

> Equalization is, of course, a no less necessary adjunct of local autonomy than it is of provincial autonomy, in that all municipalities must have the financial resources to provide minimally satisfactory levels of public service...
>
> Furthermore, if a province has the authority not only to devolve mandatory functions upon local government but also to prescribe standards of municipal performance, the need to take account of inter-municipal differences in fiscal capacity is clear and unambiguous.

Provincial Assistance

> [The Province] must be ready to provide practical administrative guidance and aid whenever it chooses to exercise its superior powers in the municipal realm... At this point we should make it plain that in espousing the principle of assistance, we do not advocate a provincial tutelage over municipalities. Local autonomy, defined simply as a wide measure of discretionary municipal authority, well grounded on close accountability to the local electorate, remains a prime requisite for a healthy municipal system. Accordingly, the principle of provincial assistance should be understood as looking toward stronger municipal government."

The philosophy of the Smith Report on Taxation is evident in the key principles and AMO's decision-making model for provincial-municipal roles and responsibilities as described in the introductory chapter of this study. This principled approach has led the Association to believe that a new transfer payment system is long overdue.

The Association presents the recommendations of this section "Part III: A New Approach to Provincial-Municipal Finance" and the recommendations of each program review as a comprehensive package of reform.

The proposed reform package provides a solid foundation for up-coming negotiations with the provincial government.

PART III

Ministry Program Reviews

MINISTRY OF COMMUNITY AND SOCIAL SERVICES

SUMMARY

The Association has recommended a complete reform of the current intergovernmental relationship in the area of the Ministry of Community and Social Services grant programs.

AMO has recommended a universally accessible income maintenance system, completely funded by the federal and provincial levels of government. The new welfare system would be delivered by upper tier municipalities. In those areas without municipal organization, the program would be delivered by provincial government regional offices.

To achieve equality in access to service, a minimum level of child care service should be mandated by the provincial government. The mandatory level of service must be completely funded by "senior" levels of government with municipal government opting to administer the service on a full cost recovery basis.

AMO recommends that Children's Aid Societies be funded by the federal-provincial governments and operated as provincial boards.

A new conditional grant program should be developed for community support services for seniors and perhaps other client groups. The program would be permissive, cost-shared and reflective of local conditions.

A new conditional cost-sharing mechanism should be developed for the new function assumed by municipal government, social planning. AMO has recommended that municipal councils be required to produce a social development plan to coordinate, plan and guide municipal council decision-making in the delivery of community services.

*****

OVERVIEW

The Ministry of Community and Social Services (MCSS) is responsible for a wide-ranging number of programs to assist children, the elderly, the disabled and those in financial need. This chapter will review the major program areas administered by MCSS:

A. Income Maintenance
B. Child Care
C. Children's Services
D. Services for the Elderly
E. Social Planning

The AMO Conditional Grants Program Review does not include social services grants to community agencies or programs presently 100 percent funded and administered by the provincial government.

The conditional grant programs of the Ministry of Community and Social Services have been the subject of much controversy at the municipal level of government in recent years. The Association has received more communications, resolutions and phone calls from its membership expressing dissatisfaction with the current funding arrangements in the social policy area than in any other program area of the provincial government.

The Provincial government itself recognizes that the provincial-municipal relationship in social services is in transition. Funding questions have been the key component of several important policy processes, such as the "Transitions" report of the Social Assistance Review Committee and the Provincial-Municipal Social Services Review (PMSSR) Committee. PMSSR members include the Ministry, AMO and the Ontario Municipal Social Service Administrators Association. The mandate of the PMSSR Committee is to examine the existing provincial-municipal partnership focusing on the planning, funding and delivery of social services. The PMSSR Committee is expected to release its final report in early 1990.

Since cost-sharing and funding formulae play such a prominent role in programs of the Ministry of Community and Social Services, it is appropriate to briefly examine current cost-sharing, before discussing individual program areas.

FINANCING SOCIAL SERVICES

In 1986-87, the Ministry accounted for $3.3 billion, or 10.1 percent, of provincial expenditures. In 1987-88, MCSS accounted for $3.7 billion, or 10.6 percent, of total provincial expenditures. According to the 1989 Provincial Budget, Ministry expenditures grew at an average annual rate of 13 percent between 1978-79 and 1988-89. This rate exceeded the growth experienced by the government as a whole (10 percent) and the Ministry of Health (12 percent). The Ministry of Community and Social Services employs 13.1 percent of the province's public service staff.

According to data collected by the PMSSR Committee, in 1986 the income maintenance program area consumed 47.7 percent of total social service expenditures. Elderly services was the second largest portion, accounting for 23.8 percent of spending. Child welfare accounted for 17.2 percent and child care accounted for 8.9 percent. The PMSSR estimated that for 1988-89 expenditures, income maintenance will hold steady at 47.7 percent of total spending. However, elderly services and child care are expected to increase to 24 percent and 10 percent, respectively. Children's services is expected to drop to 16.1 percent of total expenditures.

Funding of conditional grant programs under MCSS is governed by a complex series of cost-sharing formula which vary according to the program area. The PMSSR estimated that in 1986, municipalities contributed 24 percent of social service expenditures, with the province and federal governments contributing the remaining 76 percent.

Municipal expenditures in social services, as a percentage of total municipal operating expenditures, has increased from 13.48 percent in 1977 to 17 percent in 1986 (see Table 1).

Table 1

Municipal Expenditures on Social Services
1977-1986

($ 000s)

	Municipal Expenditures on Social Services	As Percentage of Total Municipal Operating Expenditures
1977	$ 515,651	13.48
1978	582,404	13.90
1979	651,625	14.33
1980	735,311	14.38
1981	833,159	14.42
1982	1,000,727	15.12
1983	1,181,032	16.44
1984	1,266,149	16.35
1985	1,368,167	16.37
1986	1,526,871	17.01

Source: AMO Report 88-6, Pressures on the Partnership: Response to the Provincial-Municipal Social Services Review Discussion Paper, August 1988.

From 1977-1986, municipal expenditures on social services have increased at a faster rate than total municipal expenditures. During this period, social service expenditures increased by 196 percent, from $515,651 in 1977 to $1,526,871 in 1986, while total municipal operating expenditures over that period increased by 134 percent.

This background should be kept in mind during the following discussion of MCSS program areas.

A. INCOME MAINTENANCE

CURRENT PROGRAMS

Much of the following information was provided by the Provincial-Municipal Social Services Review Committee. A brief program description is given for the following income maintenance programs:

1. General Welfare Assistance
2. Special Assistance
3. Supplementary Aid
4. Administration Cost-Sharing
5. Purchased Counselling Services
6. Work Activity Projects (WIN)
7. Employment Opportunities Program (EOP).

At the end of this Section, Table 2 summarizes the existing cost-sharing for these programs. For more detailed program information, please consult Appendix A.

1. General Welfare Assistance

Under the General Welfare Assistance Act, the GWA program provides financial assistance to persons in need. It is intended to be provided on an emergency or short term basis only. GWA assistance provides basic allowances for food, clothing, utilities, household supplies and basic shelter costs. In 1986-87, there were 110,247 active cases.

The GWA program is cost-shared between the provincial and municipal governments in a 80/20 ratio. After federal cost-sharing, the net provincial contribution to this program is 30 percent. The program is delivered by municipalities. In areas without municipal government structures, the province delivers the program.

A second component of the income maintenance system is family benefits and allowances, which are governed by the Family Benefits Act. Family Benefits Allowances (FBA) provide financial assistance on a needs-tested basis for specific client groups such as sole support parents, the disabled, the elderly and foster children. The FBA program is administered and completely funded by the province except in 8 locations where delivery to sole support parents is integrated with GWA at the municipal level. This grant review does not include the FBA program since it is currently 100 percent funded by the province.

2. Special Assistance

The Special Assistance program provides financial assistance on a needs-tested basis for exceptional item not provided under General Welfare Assistance. The provision of Special Assistance is discretionary. Specific items which may be provided include prescribed drugs for persons not eligible for a drug benefit card, eyeglasses, moving costs and dental services.

Special Assistance is cost-shared on a 50/50 basis between the federal government and municipalities. The program is delivered by municipalities. In unorganized territories without municipal structures, the province delivers Special Assistance.

3. Supplementary Aid

The Supplementary Aid program is also offered under the General Welfare Assistance Act. The same types of financial benefits are available on a discretionary basis as under the Special Assistance program, except that the clients and cost-sharing ratios are different. Under the Supplementary Aid Program, financial assistance is provided on a needs-tested basis by municipalities to recipients of Canada Pension, Old Age Security, Family Benefits or Vocational Rehabilitation Services. In areas without municipal structures, Supplementary Aid is delivered by the province.

Supplementary Aid is cost-shared between the province and municipalities on a 80/20 ratio. After federal cost-sharing, the net provincial contribution is 30 percent. Since municipalities must pay 50 percent for Special Assistance and only 20 percent for Supplementary Aid, many have argued that the cost-sharing ratio creates an incentive for municipalities to offer more Supplementary Aid, rather than Special Assistance.

4. Administration Cost-Sharing

Municipal administration costs are paid to assist municipalities with approved costs for the administration of programs under the authority of the General Welfare Assistance Act. Items which may be subsidized include salaries and wages, travel expenses, computer services and research and consulting costs. These items are shared on a 50/50 basis between the province and municipalities. The federal government reimburses the province for 50 percent of total costs, therefore the province actually makes no net contribution to adminstration under the Act.

There are other administration costs which municipalities must incur, which are not considered "approved" costs. Items which are not subsidized include office supplies, accommodation, telephones and financing costs. Municipalities must pay 100 percent of these non-shared administrative costs.

5. Purchased Counselling Services

Under the General Welfare Assistance Act, assistance is offered for the cost of providing counselling services to income-tested persons. The municipality contracts with a service provider, subject to the approval of the Ministry's area manager.

This program is cost-shared 80/20 between the province and municipalities. After federal cost-sharing, the net provincial contribution is 30 percent.

6. Work Activity Projects

Work Activity Projects, authorized under the General Welfare Assistance Act, prepare clients for entry or return to employment through client assessments, placement in Life Skills courses, training programs and work assignments. Program funding includes staff salaries, travel, incentive allowances to GWA or FBA clients, equipment and materials.

This program is funded 80/20 between the province and municipalities. After federal cost-sharing, the net provincial contribution is 30 percent.

7. Employment Opportunities Program (EOP)

The Employment Opportunities Program (EOP) is authorized under the Ministry of Community and Social Services Act. EOP consists of a series of employment initiatives designed to assist long-term social assistance recipients or those likely to become long-term recipients to become economically independent. EOP offers a variety of employment preparation, employment experience programs, early intervention and support programs.

This program is funded 80/20 between the province and municipalities. After federal cost-sharing, the net provincial contribution is 30 percent.

Table 2, below, summarizes the various cost-sharing ratios that exist for income maintenance programs.

Table 2
Existing Cost-Sharing Formula for
Income Maintenance Programs

Program	Federal	Net Provincial	Net Municipal
1. General Welfare Assistance	50	30	20
2. Special Assistance	50	--	50
3. Supplementary Aid	50	30	20
4. Administration Costs	50	--	50
5. Purchased Counselling Services	50	30	20
6. Work Activity Projects	50	30	20
7. EOP	50	30	20

FUNDING

Table 3 below, provides 1986 and 1988 data on the actual costs of General Welfare Assistance and related programs.

Table 3

Expenditures on Income Maintenance, 1986 and 1988
($000s)

1986

	MUN/86	%	PROV/86	%	Total/86
GWA [1]	105,480	19.3%	442,054	80.7%	547,534
Munic. Admin. Costs - Shared	42,720	50.0%	42,720	50.0%	85,439
Purchased Counselling Services	451	20.0%	1,803	80.0%	2,254
Work Activity Projects	471	20.0%	1,882	80.0%	2,353
EOP	1,424	21.2%	5,291	78.8%	6,715
Munic. Admin. Costs - Non-Shared	17,476	100.0%	0	0.0%	17,476
Total(rounded)	**168.0 million**		**493.7 million**		**661.8 million**

1988

	MUN/88	%	PROV/88	%	Total/88
GWA [1]	143,156	19.3%	600,065	80.7%	743,221
Munic. Admin. Costs - Shared	50,128	50.0%	50,128	50.0%	100,256
Purchased Counselling Services	612	20.0%	2,447	80.0%	3,059
Work Activity Projects	641	20.0%	2,565	80.0%	3,206
EOP	2,909	1.2%	10,807	78.8%	13,716
Munic. Admin. Costs - Non-Shared	24,408	100.0%	0	0.0%	24,408
Total(rounded)	**221.8 million**		**66.0 million**		**887.9 million**

[1] Includes General Welfare Assistance, Special Assistance and Supplementary Aid.
*** Source: PMSSR Committee**

Clearly, General Welfare Assistance is the most significant portion of municipal social services program expenditures - approximately 45 percent. Total municipal expenditures in 1986 for Ministry of Community and Social Services programs (income maintenance, child care, children's aid societies, etc.) were approximately $319 million. In 1988, this figure rose to $439.9 million.

Total costs of provincial-municipal cost-shared programs increased from 1986 to 1988 by 34 percent. A large portion of this can be attributed to the rising costs of our welfare system. The Association does not question the merit of the system or the need to provide a "safety net" for our less fortunate citizens. The issue from the municipal government's perspective is the ability of the municipal sector to continue to fund such rising costs. Administration costs for GWA are a significant problem for the majority of municipalities. The subsidy rate - 50 percent for a limited list of "shareable" costs - is too low. As shown in Table 3, noted in the program description and data, approximately 30 percent of program administration costs fall into the "non-shareable" category and are funded completely from the municipal revenue base.

ANALYSIS

AMO has expended considerable time and effort, on behalf of its municipal membership, articulating municipal concerns to the provincial government with the current conditional cost-sharing arrangements under the General Welfare Assistance Act. Governments face a large degree of social change in providing a service, such as income maintenance. For example, the Social Assistance Review Committee report documented the increase in poverty among young families with children, the regional variation in unemployment rates, and heightened public expectations regarding accessibility to services under the Canadian Charter of Rights and Freedom.

AMO's concerns regarding social assistance have focused on:

- the "adequacy" of welfare rates
- the lack of any meaningful municipal input to what is essentially a highly regulated provincial program
- the complexity of current cost-sharing arrangements; and
- the limitations on an already strained municipal revenue base.

Adequacy of Welfare Rates

When considering the adequacy of Ontario's income maintenance system, the term "adequacy" must be examined in relation to the program goals of meeting the needs of the clients. It must also be applied to the level of funding for the programs.

In its 1987 submission to the Social Assistance Review Committee (AMO Report 87-5 - The Future of Social Assistance in Ontario), AMO stated that the provincial government should implement an entirely new approach for establishing welfare rates. The report recommended that the province adopt an allowance structure which:

- is formulated on the actual costs of meeting the four basic needs: shelter, food, medical care and personal requirements
- is flexible enough to supplement costs which exceed the provisions of the basic allowance on a client by client basis; and,
- is geared towards equity in assistance across the province and also reflects regional differences in the basic cost of living.

The report of the Social Assistance Review Committee (SARC), "Transitions", was released in September 1988. The report identified the existing inadequacies of the welfare rate as the most frequently raised concern during the committee's public hearings. The SARC determined that present allowance levels are insufficient to meet the basic and fundamental needs of recipients. A major thrust of the SARC report was to steadily increase rates for all recipients to "adequate" levels. The SARC recommended a market basket approach be used to achieve a level of "frugal comfort" for all recipients. It also recommended that shelter subsidies be redesigned. For further details, please refer to "Transitions", the Report of the Social Assistance Review Committee, September 1988.

The Social Assistance Review Committee recommended a staged approach to reform of the welfare system, with the social assistance rate increased early in this process. Stage One initiatives included increasing assistance rates by 10-22.5 percent, depending on client type. According to the Committee, the Stage One initiatives would require annually between $380 million in new federal and provincial expenditures, measured in 1988 dollars. This increase is due primarily to the size of the general rate increase. The Committee acknowledges that these costs are high, but considers them "essential to begin the process of reform". The existing municipal share of 20 percent would add approximately $31 million to municipal budgets for the proposed rate increase.

As part of the May 1989 budget, the Treasurer and the Minister of Community and Social Services announced a number of measures to address the SARC recommendations. These reforms included a 6 percent general rate increase, improved shelter subsidies, increased benefits to families with children, and the Supports to Employment Program (STEP). The total funding for this package was $415 million.

While the Association has expressed its support for the general thrust of the SARC recommendations, AMO is concerned at the lack of discussion of municipal cost for these social assistance improvements and the lack of progress in addressing current provincial-municipal cost-sharing arrangements.

Lack of Municipal Input

The General Welfare Assistance programs are regulated strongly by the provincial government. There is little room for municipal "discretion" or local autonomy in program delivery. There has also been very little room for municipal participation in the policy development and decision-making processes of the provincial government for income maintenance issues. Although municipalities have been viewed as "partners" in the delivery of these programs, there has been little opportunity to influence decisions that significantly affect municipal budgets.

For example, the "spouse in house" ruling under the General Welfare Assistance Act of November 1987 expanded the eligibility list for welfare and thereby increased municipal costs as well as provincial costs. (Under the "spouse in the house" ruling, a single person living with another adult of the opposite sex can receive social assistance unless the co-habiting adult has a legal obligation to support him or her). It is estimated that this procedure would add approximately 8,000 persons to the FBA/GWA caseload over the next three years. The additional cost to municipalities for the GWA portion was approximately $10 million in 1988. The decision was made without municipal input.

Complex Cost-Sharing Arrangements

Cost-sharing arrangements for all Ministry of Community and Social Services programs, including General Welfare Assistance and related programs, are needlessly confusing and complex. The program information provided earlier in this chapter illustrates the range of formulae per program. The complexity and differentiation influences decision-making in he delivery of those "discretionary" components of the welfare system. The end result is a maximizing of the financial benefits of the service providers, the provincial and municipal government, at the expense of providing a government service to meet community needs. In many cases, program funding policies decide whether a service is available, rather than identified needs of citizens.

The AMO response to the Provincial-Municipal Social Services Review, AMO Report 88-6 "Pressures on the Partnership", of August 1988, noted "there currently exists a curious definition of municipal administrative costs which generally speaking are either cost-shared with the federal government or the sole responsibility of the municipality." (Cost-shared administration costs are covered under the Canada Assistance Plan, and receive 50 percent federal funding). The conclusion is that the provincial government receives all of its 50 percent share of administration costs from federal-provincial transfers, and the municipal 50 percent is financed from the property tax base.

Appropriateness of Municipal Funding of Income Maintenance

There has been much debate on the appropriateness of the property tax in funding social services. The tax bases of the federal and provincial governments have the scope to finance this major social program. Generally the municipal revenue base is a restricted revenue

base. It does not necessarily reflect ability to pay; its wealth varies considerably from municipality to municipality, and is unresponsive to income redistribution systems. For example, single-industry towns are the least capable of financing higher welfare costs during times of economic hardship.

In AMO Report 89-6, AMO supported SARC Recommendation 197, which stated that social assistance allowances and benefits should be the financial responsibility of the provincial and federal governments. The Association endorsed SARC's conclusions that social assistance is the "least appropriate of all social programs to depend for part of its funding on the municipal property tax base". The Association further recommended that all program costs, including the cost of administration, be assumed by provincial and federal governments.

In its August 1988 submission to the Provincial-Municipal Social Services Review "Pressures on the Partnership", Report 88-6, AMO concluded:

> It is recommended that, to the extent possible, funding for social service purposes be shifted off of the property tax base and into the provincial realm where access to income-based revenues lies.
>
> It is recommended that a clear basis for the determination of an exclusive provincial jurisdiction in social services be established, including
> - the provision of basic human needs;
> - assurance of accessibility or affordability on a province-wide basis;
> - the redistribution of income or the regional distribution of services;
> - the standardization of service or performance.
>
> It is recommended that social services meeting these criteria be defined as "core provincial programs", and that they be funded at 100 percent by the province.

RECOMMENDATIONS FOR REFORM

Ontario's welfare system is presently a joint provincial-municipal responsibility. The Family Benefits program is funded and delivered by the provincial government, with the exception of 8 pilot project municipalities. The General Welfare Assistance program and related employment and counselling programs are delivered by municipalities and funded by an extremely complex and confusing cost-sharing grant system.

The Association has concluded that a new intergovernmental and financial relationship for all social programs, including income maintenance, is necessary. It is evident that reform of Ontario's social welfare system is long overdue and forthcoming. Income maintenance provides for basic human needs. There must be accessibility and affordability province-wide. There must be standardization of service. The Association can therefore only conclude that those services which are universally accessible, highly standardized, and highly

regulated by the provincial government should be the ultimate responsibility of the provincial level of government. Therefore, income maintenance programs should be an exclusively provincial responsibility.

Constitutional law has decreed that social programs are within the direct jurisdiction of the provinces. In the case of welfare, the provincial legislation establishes standards of services and procedures for administering the service. Also, the ultimate political responsibility for the welfare rate, its benefits and its administration, is now with the Ministers of the provincial government. Provincial funding of 100 percent of income maintenance would clarify intergovernmental relations and recognize political accountability.

If community delivery is an essential component of a "responsive" and effectively delivered welfare system, the municipal government role should be clearly identified as one of "administrative agent" only. Municipal elected officials would be accountable for the administration of the system to their electorate.

Recommendation 1

The Association recommends that there be one universally accessible income maintenance system, completely funded by the federal and provincial levels of government.

Recommendation 2

The Association recommends that the income maintenance program may be delivered by the municipal level of government on a county, regional or district basis. In those areas without municipal organization, the program should be delivered by provincial government offices.

Recommendation 3

The Association recommends that the total cost for those municipalities involved in delivering the future income maintenance system be 100 percent covered by the federal and provincial governments.

B. CHILD CARE

CURRENT PROGRAMS

Child care is provided through the authority of the Day Nurseries Act. Financial assistance to purchase the child care required is provided to families who have a demonstrated financial need or who have children with physical or developmental disabilities. Programs are licensed and supervised according to the provisions of the Act to ensure that children receive an adequate standard of care. Educational and informal support programs are provided to assist parents and caregivers.

The Ministry of Community and Social Services is now responsible for the licensing and funding of a range of child care support systems. This includes day care subsidies to families in need, funding for employment support programs for social assistance recipients returning to the work force, funding for non-profit child care corporations, and cost-sharing with municipal governments for day care centres and child care spaces. Municipalities may or may not participate in the 80/20 cost-shared subsidy program for children. In 1986/87, there were 2,317 facilities with 85,663 spaces. Approximately 29,000 of these spaces are "municipal" child care spaces (see program statistics in Table 4). Child care as a discretionary program is offered by 92 municipalities in Ontario, primarily in the urban centres.

The province is responsible for administering and enforcing the Act, which includes the inspection and licensing of day care facilities. Municipalities may either provide child care directly, or can contract with other service providers. The province establishes needs-testing for families, which is administered by participating municipalities on behalf of the province.

In Ontario in 1985, 75 percent of all women (24-44 years) were in the workforce, compared to only 49.2 percent in 1971. Sixty percent of all mothers with preschoolers were working. In 1985, 50 percent of all farm women worked off the farm and required child care.

Program statistics for child care, as of March 31, 1987, are shown in Table 4, on the next page.

Table 4
Program Statistics for Child Care, 1986-87

Number of Subsidized Spaces		
• **Municipally Direct Operated**		
- Group Care	-	12,332
- Private Home Care	-	2,244
• **Purchase of Service**		
- Group Care	-	12,693
- Private Home Care	-	2,568
Total Number Subsidized Spaces		29,837
Municipal Child Care		
• **Large Urban and Area**	-	55
• **Small Urban and Area**	-	18
• **Rural**	-	19
Total		92

Source: PMSSR Committee

Cost-sharing of child care varies, depending on the type of facility (see Table 5). Capital and operating start-up funds are provided to assist in establishing or renovating child care facilities. Currently, municipalities cost-share only in municipal child care facilities (20 percent for operating subsidies, 50 percent for capital grants). Child care is eligible for federal funding through the Canada Allowance Program. As of January 1988, financial assistance is provided directly to child care centres for salary enhancements.

Table 5
Existing Cost-Sharing of Child Care Program

	Federal%	Net Provincial%	Net Municipal%	Other%
Operating - Subsidies				
• Municipal	50	30	20	-
• Approved Corp.	40	40	-	20
• Preschool	43.5	43.5	-	13
• Disabled Children	50	50	-	-
Capital				
• Municipal	-	50	50	-
• Approved Corp.	-	80	-	20

FUNDING

Table 6, below, shows the expenditures on child care for 1986 and 1988.

Table 6

Expenditures on Child Care, 1986 and 1988
($000s)

1986	Mun	%	Prov	%	Total
Child Care (Day Care)	23,240	19.8%	94,339	80.2%	117,578
Day Nurseries - Capital	97	20.0%	386	80.0%	483
1988 (est)					
Child Care (Day Care)	37,644	11.6%	287,711	88.4%	325,355
Day Nurseries - Capital	156	11.7%	1,177	88.3%	1,334

* Source : PMSSR Committee

A fundamental issue when discussion funding adequacies for child care is the public expectation for more accessible and affordable service. Some municipalities, in response to concerns of their citizens, are using municipal revenues to augment inadequate provincial funding.

ANALYSIS

Child care policy, like income maintenance policy, is in a state of reform in response to public expectations for a more accessible and affordable service. The basic question is what the future role of municipal government in the field of child care will be. Currently municipal involvement in providing child care for the general public and for its social assistance recipients is discretionary. The key issue is how long municipal involvement will remain discretionary. Government priorities and public demands will likely influence the immediate future.

In June 1987, the Ontario Provincial Government released the report New Directions for Child Care. The Report redefined the government's child care policy in a number of fundamental ways. New Directions stated that child care should be a public service, not a welfare service. To this end, the total expenditure on child care by the Ministry of

Community and Social Services has been increased by 133 percent over the next three years. Other initiatives include the implementation of a new Child Care Development Program and the development of a new federal Child Care Act (still in process).

In December 1987, the federal government released its National Child Care Strategy. The strategy includes tax incentives, a Special Initiatives Fund, and enhanced federal cost-sharing of a broader range of service components. The federal government under the Canada Assistance Plan funds 50 percent of child care approved operating costs. Under the National Child Care Strategy, a new Canada Child Care Act will replace the existing day care provisions of the Canada Assistance Plan.

> The emphasis of the new Act will be on boosting the existing system from its current underdeveloped state into one that offers more accessible and affordable quality child care arrangements to Canadian families.

The legislation will provide for federal cost-sharing of a much broader range of provincial expenditures. The federal government will now cost-share provincial capital expenditures on non-profit child care at a rate of 75 percent.

The federal and provincial funding will have a dramatic impact on the municipal role in child care. However, the full impact cannot be assessed at this point in time as certain key issues still have not been resolved. Also, the Ministry of Community and Social Services has yet to set its income testing policies.

Mayor issues facing government respecting child care are:

- Availability -- there is not enough supervised child care
- Uneven geographic distribution of services -- many communities do not have any child care.
- Uneven distribution of services for age groups -- there is extremely limited service for infants and toddlers and for school-aged children
- Unresponsive child care -- current child care is unresponsive to rural needs, shift workers, emergency situations, and to "special needs" children.

RECOMMENDATIONS FOR REFORM

Given the current environment and the interests of both the federal and provincial governments in providing increased accessibility to child car for all citizens, the Association has concluded that the new child care system of the future should be a funding responsibility of the federal and provincial levels of government. Municipalities could remain in this service field as one form of service provider. This premise is consistent with the position taken by the Association in developing its response in early 1988 to the provincial report "New Dimensions for Day Care". In this document, AMO stated that the goal of improved access for all the child care services would only be achieved by establishing the focus of responsibility with the Ministry of Community and Social Services.

(Increased accessibility) will only be achieved through the establishment of a centre of responsibility for overall planning and coordination of services. The Association feels that this responsibility logically rests with the provincial government. The Ministry of Community and Social Services is a decentralized Ministry with a network of regional, area, and district offices, which could be responsible for ensuring that a range of programs is developed in all areas of the Province. With the new federal contribution to capital costs, the increased Provincial commitment, and the commitment of both levels of government to the development of new models of service, the demand of program development funds should be quite strong. At a time when the child care service delivery infrastructure will be undergoing significant expansion and development, it is of utmost importance that his process be controlled and coordinated at the provincial level.

AMO believes that municipal government should not be mandated to providing child care services. It is recognized that the provincial government views the discretionary nature of municipal participation in this service field, as being inequitable and incompatibility with the goal of greater accessibility. Therefore, in order to achieve the goal of equal access to service province-wide, a minimum level of childcare service would likely have to become obligatory.

Mandatory programs, with a high degree of provincial administrative control should be funded totally by the provincial government. Those municipalities which have the administrative capacity to plan and coordinate social services within their communities with other government and local agencies could at their option act as the delivery mechanism for local child care services. The following recommendations are in keeping with the principles of clear delineation of governmental authority and recognition of political accountability.

Recommendation 4

AMO recommends the elimination of the municipal operating cost-shared child care funding program (80-20 formula) in its present form.

Recommendation 5

The Association recommends that childcare become an "essential" social program, with its operating expenditures are 100 percent funded by the federal and provincial governments. With respect to capital assistance, AMO states that the existing capital program remain but be 100 percent funded by the federal and provincial levels of government (75 percent federal, 25 percent provincial).

Recommendation 6

The provincial government should "legislate" and fund a minimum level of childcare service across the province.

Recommendation 7

AMO states that municipal governments could at their discretion administer childcare programs in the community, on behalf of the provincial government.

C. CHILDREN'S SERVICE

CURRENT PROGRAMS

The Provincial government has exclusive jurisdiction for children's services which includes:

- child welfare (Children's Aid Societies)
- child and family intervention (residential and non-residential services for children with emotional and social behaviourial problems)
- implementation of the Young Offenders Act and programs
- community support programs such as Children's Services Coordinating and Advisory Groups
- child treatment (psychiatric services for children)

This section will primarily address the Children's Aid Societies, since this function involves municipal cost-sharing. However, the discussion will also comment on the Children's Services Coordinating and Advisory Groups, since there is municipal involvement in planning for social services in the community.

1. Children's Aid Societies

Children's Aid Societies (CAS) are governed by the Child and Family Services Act. CAS's provide a full spectrum of services for children in need, including shelter, protection, in home support, counselling and adoption services. In 1986/87, there were 54 Children's Aid Societies in the province. The total number of cases served was 89,334.

The CAS prepares its budget plan, using the provincial service plan, and presents it to municipal council for approval. The CAS budget must also be submitted to the Ministry office for final approval. In the event of any disagreement, there is leave to appeal to the Minister of Community and Social Services.

Municipalities currently cost-share operating expenses 80/20 with the provincial government. After federal cost-sharing, the net provincial contribution is 30 percent. If the CAS experiences any unforeseen overexpenditures, the additional costs are also cost-shared on the same basis.

Current cost-sharing arrangements for children's services is summarized in Table 7.

Table 5
Existing Cost-Sharing of Child Care Program

	Federal%	Net Provincial%	Net Municipal%	Other%
Regular C.A.S.				
• Operating	50	30	20	-
• Capital	-	variable	variable	variable
Native				
• Operating	95	5	-	-
• Capital	95	5	-	-

2. Children's Services Coordinating and Advisory Groups

Children's Services Coordinating and Advisory Groups (CSCAGs) were established in some areas to advise local government and assist in area planning and coordination of all children's services. There are currently 14 CSCAGs serving approximately one-third of Ontario's population. The membership of such a group typically includes service providers, clients and interested citizens, although in some cases there is municipal representation as well.

FUNDING

Table 8, below, shows the expenditure levels of Children's Aid Societies in 1980 and 1988. The 14 CSCAG's in the province are currently 100 percent funded by the provincial government. The only exception is the Regional Municipality of Niagara, which makes a financial contribution to its CSCAG. In 1986, approximately $1.6 million was allocated to CSCAG operations.

Table 8
Expenditures on Children's Aid Societies, 1986 and 1988
($000s)

1986

Program Description	Mun	%	Prov	%	Total
Children's Aid Societies - Capital	0	0.0%	576	100.0%	576
Children's Aid Societies - Operating	43,353	18.7%	188,901	81.3%	232,254
Child Welfare Municipal	5	50.0%	5	50.0%	10

1988

Program Description	Mun	%	Prov	%	Total
Children's Aid Societies - Capital	0	0.0%	673	100.0%	673
Children's Aid Societies - Operating	50,102	18.7%	220,785	81.3%	270,887
Child Welfare Municipal - Grants	6	50.0%	6	50.0%	12

* Source: PMSSR

ANALYSIS

Children's Aid Societies

The key municipal concerns with respect to the approximately $50 million contribution to the operating costs of Ontario's children's aid societies has not been the "adequacy" of this contribution in meeting program goals, or the merits of the program itself. The multitude of resolutions and communications received by the Association have related to concerns about the "appropriateness" of the mandatory municipal contribution to a program which is basically a provincial government responsibility. The Association for many years has expressed its concern with the lack of political accountability with respect to Children's Aid Societies. The funding contribution is mandatory. However, municipal government does not have any commensurate input into the administration or policy decisions of CAS boards.

This concern has been well documented. In 1983, AMO responded to the government in the development of the current Child and Family Services Act. AMO expressed some concern regarding funding principles in general. AMO's comments focused on the potential for an increased financial burden that could be placed on municipalities. AMO was concerned that the discretionary powers being afforded to the Ministry would provide an opportunity for the province to incur costs on behalf of municipalities without their prior consent or any consultation. The Province could encourage greater use of cost-shared services, as opposed to use services which are fully funded by the province, and thereby increase the costs of CAS's to municipalities. AMO urged that the new cost-sharing arrangements for CAS's be negotiated between the province and municipalities and that the new principles of this arrangement be incorporated into The Child and Family Services Act.

The 1983 draft legislation did not contain funding reform and the commentary stated the intention that the regulations regarding funding would remain the same. This situation was unsatisfactory to AMO because although little change in the service system would occur immediately upon implementation of the Act it was very likely changes would gradually occur over time. Now in 1988 it has been confirmed that this has had a financial impact on municipalities.

In 1986, the Association again expressed its concern through resolutions about the lack of local political accountability within Children's Aid Societies and urged the provincial government to make them more accountable to local government. The resolutions raised the concern that a municipal government is required to contribute its 20 percent of operating costs, many times well after municipal budgets are in place. Also the "partnership" is strictly a financial arrangement. Municipal government does not have any input into the provincial government's policy setting process regarding child welfare. Municipal government has little, if any, input to the administration and decision-making of Children Aid Societies.

Children's Services Coordinating and Advisory Groups

In 1984, the Association recognized the value of these groups. AMO supported the advisory groups in those municipalities where they were requested to council, for a trial period not exceeding three years. After three years (in 1987) AMO suggested that advisory groups should be re-evaluated. AMO also stated that if the Children's Services Coordinating and Advisory Groups should remain, they should be 100 percent funded by the provincial government.

RECOMMENDATIONS FOR REFORM

The Association has concluded that the children's services policy field is in fact a responsibility of the provincial level of government. The Ministry already recognizes that children's services and child welfare fits the above description in that prime jurisdiction presently rests with the provincial level of government. Clarity in intergovernment roles and responsibilities becomes evident, if the provincial government assumes the total funding as well as policy-setting function. There is clear recognition of political control and accountability, provincial accountability for Children's Aid Societies is logically related to financial control and responsibility.

Recommendation 8

The Association recommends that the municipal contribution (20 percent cost-sharing for operating expenses) to Children's Aid Societies be eliminated and Children's Aid Societies be totally funded by the provincial government.

Recommendation 9

The Association recommends that Children's Services Coordinating and Advisory Groups be eliminated, and their planning and coordinating function be assumed as part of the policy and priority setting function of the provincial government and social planning function of municipal government.

D. SERVICES FOR THE ELDERLY

The Association's analysis of seniors services funding is restricted to those cost-shared programs which are currently part of the provincial-municipal conditional grant system. The programs can be divided into 2 major areas: institutional care and community support programs. Institutional care is made up of operating and capital grants for Municipal Homes for the Aged. Community support programs include grants for Elderly Persons Centres, Homemakers and Nurses Services, and Home Support Services. A brief program description of each is provided below. Program information was provided by the Provincial-Municipal Social Services Review Committee.

1. Municipal Homes for the Aged

The Municipal Homes for the Aged program provides residential and extended care services for elderly persons who cannot live independently in the community. Services are designed to maximize the physical, mental and emotional well-being of such persons by provision of accommodation, meals, supportive services medical/nursing care, companionship, recreation, socialization and administrative services. It is governed by the Homes for the Aged and Rest Homes Act.

In 1986-87, there was a total of 18,747 beds available in Municipal Homes for the Aged. Of this total, 7074 were in residential care, 10,948 in extended care, and 725 in satellite beds. There were 89 Municipal Homes for the Aged in operation.

Seniors in residential care pay for the actual cost of their care. If they are unable to afford the full cost, the Ministry will provide 70 percent and the municipality 30 percent of the residential care deficit. For residential care residents from unorganized territories, the Ministry provides 100 percent of the deficit.

The extended care per diem rate ceiling is currently $49.43. Residents contribute a co-payment for their room and board of $21.34 per day. The Ministry provides the balance of the costs up to the approved extended care ceiling and covers 70 percent of any costs above the ceiling. The federal government provides financing as block funding through Established Program Financing. Existing cost-sharing is summarized in Table 9.

Table 9
Cost-Sharing for Municipal Homes for the Aged

	Net Federal	Net Provincial%	Municipal%	Other%
Operating:				
Residential Care Deficits	EPF	70	30	-
Extended Care Ceiling	EPF	100	-	Co-payments
Extended Care Deficits	EPF	70	30	-
Capital*	-	50	50	-

* The Territorial Districts, 100 percent of cots apportioned to Unorganized Territories, plus 50 percent of the balance of the approved capital cost of new construction or renovations.

2. Elderly Persons Centres

Elderly Persons Centres are non-residential drop-in centres operated by municipalities and nonprofit corporations. The centres are governed under the Elderly Persons Centres Act. They provide social, recreational and home support services to assist seniors to remain active and independent in the community. In 1986-87, there were 153 such centres in operation.

Existing cost-sharing is described in Table 10. There is no federal cost-sharing and other sources of funding within the community make a contribution to this program.

Table 10
Cost-Sharing for Elderly Person Centres

	Federal%	Net Provincial%	Net Municipal%	Other%
Operating	-	50	20	30
Capital	-	30	20 min	50

3. Homemakers and Nurses Services

Homemakers and Nurses Services are provided by municipalities in order to assist and maintain the quality of family life during illness or absence of a parent or guardian. Services assist the elderly, convalescent, handicapped, chronically ill or otherwise disabled persons to remain in their homes whenever possible. Services include child car, meal planning, cleaning, laundry work, personal care, bedside care, household management and nursing services, which are usually provided on a visitation basis. These services are provided under the Homemakers and Nurses Services Act.

In 1986-87, there were 209 agreements with municipalities in Indian bands to provide homemakers and nurses services. The program provided 13,795 nurses visits and 2,057,357 hours of homemaker service.

Table 11
Cost-Sharing for Homemakers and Nurses Services

	Federal%	Net Provincial%	Net Municipal%	Other%
Nurses	EPF	EPF	20	-
Homemakers	50	30	20	-
Indian Bands	97*	3	-	-
Unorganized Territories	50	50	-	-

* Cost-shared with the federal government under the Indian Welfare Agreement

4. Home Support Program

The Home Support program is authorized under the Ministry of Community and Social Services Act. A wide variety of non-profit agencies, municipalities, Indian Bands, Elderly Persons Centres, and Homes for the Aged provided services under this program to help seniors remain in their own home. The services include such programs as meals-on-wheels, respite care, senior day programs, home help, home maintenance, friendly visiting, security checks and volunteer transportation. In 1986-87, there were 541 home support programs in operation.

In January 1988, the Ministry of Community and Social Services agreed to fund 70 percent of approved operating costs. The remainder of operating costs must come through user fees, municipal contributions of voluntary fund-raising activities in the community. The federal government will cost-share this program 50 percent for those clients in need, according to definitions under the CAP.

FUNDING

Table 12, below, shows expenditures on services for the elderly for 1986 and 1988.

Table 12
Expenditures on Services for the Elderly, 1986 and 1988

1986

	Mun	%	Prov	%	Total
Homes for the Aged - Operating	38,978	16.6%	196,508	83.4%	235,485
Homes for the Aged - Capital	15,132	50.0%	15,132	50.0%	30,264
Elderly Persons Centre - Operating	3,074	63.8%	1,746	36.2%	4,820
Elderly Persons Centre - Capital	3,123	77.0%	933	23.0%	4,056
Home Support	4,129	27.6%	10,824	72.4%	14,952
Homemakers and Nurses	2,290	20.0%	9,158	80.0%	11,447

1988

	Mun	%	Prov	%	Total
Homes for the Aged - Operating	47,513	16.6%	239,538	83.4%	287,051
Homes for the Aged - Capital	18,446	50.0%	18,446	50.0%	36,891
Elderly Persons Centre - Operating	6,564	63.8%	3,863	36.2%	10,427
Elderly Persons Centre - Capial	6,910	77.0%	2,064	23.0%	8,974
Home Support	19,017	27.6%	49,850	72.4%	68,867
Homemakers and Nurses	2,762	20.0%	13,161	[illegible]%	15,923

* Source: PMSSR Committee

Demographics will determine the adequacy of funding for homes for the aged and community support programs. Ontario is in the process of extensive demographic change. Presently, 10 percent of the provincial population is over the age of 65 years. By the year 2030, when the last of the baby boom reaches the age of 65 years, 23 percent of the provincial population will be "senior". In addition, the average life expectancy has steadily increased; consequently not only will there be more senior citizens but these people will also be "older".

This reality will determine whether the current funding policies for institutional care and community support programs for this population, are adequate. A logical conclusion is that they will not be adequate.

ANALYSIS

The Ministry of Community and Social Services' major strategic direction for the future is the enhancement of community support programs for seniors. The provincial government has widely proclaimed its intent to enhance community support services to enable elderly persons to remain in their own homes and in the community as long as possible. The ultimate goal is to facilitate coordinated and accessible community support programs across the province.

With respect to residential or institutional care, the provincial government is experimenting with alternative models of residential care in community settings. Examples are the Ministry of Housing's Senior Retirement Community projects, "granny-flats", and the satellite home projects. Within this realm of social change, it is also essential to redefine the role of the more traditional residential services, charitable and municipal homes for the aged, extended care and nursing homes.

The funding discrepancies of nursing homes, municipal and charitable Homes of the Aged have been the subject controversy and legal challenge. There is currently a challenge before the Ontario Supreme Court regarding the funding policies of homes for the aged, extended care and nursing homes. The challenge is based on the assertion that the current financing scheme discriminates against extended care patients in nursing homes, now prohibited by the equality provisions of the Charter of Rights and Freedoms. Extended care patients in municipal Homes for the Aged contribute a portion of the $49.43 per diem. The per diem cost for extended care in a charitable home for the aged or nursing home is $56.50. The Ministry assumes approximately 50 percent of their operating extended care deficit. The principle of equity and access to service will influence future programs and funding policies.

With respect to the municipal Homes for the Aged grant programs, the future will be influenced by current provincial studies on extended care and the rest home industry. In concert with the change in focus to community based programs, will likely be an examination of the funding, legislation and regulations for all forms of institutional care. Residential care will still be required to cater to a new client group, a more "senior"

population, requiring more extensive care and health related support services. The recent provincial capping of cost-sharing increases at 4% indicates that client groups, charitable agencies and municipalities are expected to contribute more.

Currently, the structure of the funding has a definite influence on the service system, as demands for various types of services are shaped by the subsidy available. For example, the different subsidy arrangements in municipal homes and charitable homes results in different client groups being serviced. Municipal Homes for the Aged have higher ratio of extended care clients than most charitable homes and nursing homes, thereby influencing operating costs and the 80/20 provincial-municipal cost-sharing formula.

Inconsistencies in funding subsidies of the Ministry of Health and the Ministry of Community and Social Services influence decision-making in the determination of whether the service is available in the community. The Ministry of Health Home Care Program, 100 percent funded by the province, provides health support to patients at home. The Homemakers and Nurses Services program, serving a similar clientele provides visiting nurses and personal care services for a similar client group. This Ministry of Community and Social Services program is an 80/20 cost-shared provincial-municipal program. In the growing field of community based programs, differential funding mechanisms may influence program availability. The deferential also adds to the already confusing funding environment.

RECOMMENDATIONS FOR REFORM

Municipal Homes for the Aged

The Association has concluded that extended care and residential services (housing) are a provincial responsibility. It is recognized that municipal involvement in homes for the aged was originally intended to provide strictly residential services for seniors. However, due to the changing demographics and the increase in a more "frail" clientele, municipal homes for the aged now provide a high level of chronic and extended care services. A reorganization to achieve the original jurisdictional intent is required.

Municipalities have an expertise that they can provide to this service area. Therefore, the Association recommends that municipal government may opt to provide residential care in municipally operated homes for the aged. The municipal non-profit housing model, a successful mechanism of providing assisted housing in our communities on behalf of the provincial government, could provide a model for a new administration. This is particularly relevant in view of the current movement towards community-based services for the elderly. AMO understands the need for, and supports this policy direction.

Recommendation 10

The Association recommends that the Municipal Homes for the Aged program be a permissive program, administered by municipalities and 100 percent funded by the provincial government similar to the municipal administration of municipal non-profit housing program.

Further, AMO states that such Municipal Homes for the Aged would provide strictly residential care; the provincial government would assume complete responsibility for funding and administration for chronic/extended care as part of the health care system of the provincial government.

Community Support Programs

By their very nature of providing services unique to the community and its citizens, the Association has determined that the delivery of such community support programs is a provincial-municipal responsibility. Using AMO's decision-making model for this study, the suggestion for permissive participation in community based programs for senior citizens which is responsive to local needs and circumstances, suggests a cost-sharing formula with an appropriate level of municipal contribution.

Recommendation 11

The Association recommends the retention of the provincial-municipal cost-sharing for community support programs for seniors: the Elderly Persons Centres, the Homemakers and Nurses Services program, the Home Support Program. Municipal involvement in community support programs for seniors would be permissive. The Association further urges the government to establish a uniform all inclusive cost-sharing program for community based programs for seniors and for all client groups.

E. SOCIAL PLANNING

This Association's review of the provincial-municipal social service partnership as part of the overall conditional grants network has resulted in a re-examination of the role of municipal government in the area of social services. The study has unearthed a related issue: the need for a planned and coordinated approach to social service delivery.

The rationale for a coordinated approach for planning is well documented in AMO Report 88-6, "Pressures on the Partnership: Response to the Provincial-Municipal Social Services Review Discussion Paper". In that report, the Association supported the development of "social development plan(s)" in order to guide Council decision-making in the planning and delivery of social services. Such plans would be mandatory and the process of establishing such a plan should be contained in provincial legislation. The responsibility for the local planning of social services should be placed with the municipal council or its delegated

committee and carried out on a regional or county basis, where applicable. The Association further recommended that Council or its designated committee undertake the planning function in a manner that "would encourage full public participation in its deliberations". The Association also recommended that "the province produce its own broad social service plan, and that local social development plans be required to generally conform to it". AMO recommended that "the development and maintenance of social development plans be cost-shared on a fixed percentage basis to be negotiated between the province and the municipal sector."

The review process has concluded that social planning is both a provincial and municipal government responsibility.

Recommendation 12

AMO recommends the introduction of a new conditional grant, a social planning grant. Furthermore, the Association supports a uniform cost-shared formula for all social services conditional grants.

MINISTRY OF CULTURE AND COMMUNICATIONS

SUMMARY

The Association recommends the status quo with respect to financing heritage conservation activities and community museums. AMO urges a continued financial commitment from the federal and provincial government for community museums. The Association also suggests that the provincial government devote increased resources to heritage conservation leadership and education.

Library grants should be discontinued in their present form, with the financial allocation transferred to a new all encompassing basic municipal services unconditional grant program. Public libraries services are basically a municipal government responsibility. The Provincial government should not impose restrictive management practices, such as prohibitions on user fees, through legislation or regulation.

*****

OVERVIEW

The Ministry of Culture and Communications is responsible for promoting the cultural interests of the province and supports many cultural and historical institutions throughout the province. It also advocates Ontario's interests in the communications field. The Ministry is a relatively small one, both in terms of its share of total provincial expenditures and staff. According to the 1988 budget, in 1986-87 the Ministry accounted for $202 million, or 0.65%, of total provincial expenditures. It employed 1.1% of Ontario's public service staff.

In this review of the conditional grant programs of the Ministry of Culture and Communications, the Association has addressed only those programs directed to the municipal sector, namely, heritage conservation and museums grant programs and public library grant programs. Ultimately the grant programs should enhance, rather than restrict, the delivery of such programs.

A. HERITAGE CONSERVATION AND MUSEUM GRANT PROGRAMS

CURRENT PROGRAMS

Heritage conservation funding, which is primarily funded from Ontario lottery grants, provides assistance towards the conservation, protection and preservation of areas, properties, buildings and archaeological material and sites of heritage value in Ontario. Municipal councils, with guidance from their Local Architectural Conservation Advisory Committee (LACACs), have the primary responsibility for the identification and designation of local heritage sites. There is currently some consideration of heritage planning through a policy statement under the Planning Act.

The community museum program provides operating assistance to community museums, including municipally operated museums for ongoing costs of salaries, administration, maintenance, conservation, research, and exhibits.

At present, the Ministry of Culture and Communication offers three grant programs.

1. Grants to Local Museums/Local Governments

The program provides financial assistance toward ongoing operational costs, including salaries, administration, research and exhibitions. Eligible recipients include:

1) non-profit corporations with its head office in Ontario;
2) municipal councils;
3) councils of Indian bands;
4) public library boards;
5) a conservation authorities.

2. Ontario Lottery Projects

The Ontario Lottery Corporations Act enables funding to local government for heritage projects.

3. Community Facilities Improvement Program

Lottery funds under Section 9 of the Ontario Lottery Corporation Act provides funding for community services and programs. Eligible are municipalities, local service boards, Indian bands, school boards, library boards, conservation authorities, or non-profit organizations.

FUNDING

The provincial assistance to municipalities for museums represents a small portion of the total amount spent by the province in assisting heritage conservation activities. According to the Ministry, in 1985-86 total funding was $30,859,375 and in 1986-87 total funding was $37,987,519. Most of these funds were allocated to private and non-profit organizations, not the municipal sector. Grants for municipalities in the area of heritage conservation and museums are outlined in Table 1.

Table 1

Provincial Transfers for Heritage Conservation and Museums

Heritage	85-86	86-87	% Change
Grants to Local Museums/ local governments	$1,859,848	$1,763,000	-5.21%
Ontario Lottery Project Grants	$ 631,727	$ 750,000	+18.72%
Community Facilities Improvement Grants	$6,585,406	$9,500,000	+44.26%
Grants "Experience 85"	$ 356,797	$ 29,000	-91.87%
TOTAL	$9,433,778	$12,042,000	

* Source: Ministry of culture and Communications

ANALYSIS

In its analysis of intergovernmental relations, the Association has concluded that museums and heritage conservation are a tri-level responsibility, with the federal and provincial governments assuming the leadership role. The first and foremost goal of heritage policy in the preservation and enhancement of Ontario's heritage policy is the preservation and enhancement of Ontario's heritage. To achieve this often requires reconciling the competing interests of private property owners and the community.

AMO believes that the province should take a greater role in heritage preservation, particularly in financial support and leadership. This should include assistance to municipalities and private developers to assist and develop expertise, planning and co-ordination.

Municipalities cannot be expected to play a central role in financing heritage preservation in areas of national regional importance. This remains a provincial and federal responsibility. Municipalities can only facilitate heritage planning through local plans and infrastructure.

It is not clearly evident whether or not municipalities are satisfied with their relatively modest role in financing heritage activities and community museums. as has been noted, the bulk of the funds are allocated to private or non-profit groups. Since little concern has been raised in the past regarding funding questions, current provincial policy appears to be adequate.

However, the Association is concerned with federal government financing policies. In AMO's analysis of a June 1988 federal government report, "Challenges and Choices": AMO urged continued funding of community museums, including museum training and advisory services, rather than reduced federal commitment in these areas.

Senior levels of government could encourage private sector use of heritage sites for alternative uses, such as offices, stores and restaurants. AMO has recommended a favourable income tax treatment for private sector involvement in heritage preservation and redevelopment. Municipalities could also encourage private sector use of heritages sites, but should not be expected to offer property tax advantages in exchange. This is inequitable as it weakens the mainstay of municipal revenue, ascribes a negative implication to heritage developments, and unduly burdens those communities with high heritage activity. Therefore, favourable income tax treatment is a more equitable means for encouraging heritage preservation and redevelopment.

RECOMMENDATIONS FOR REFORM

Recommendation 1

AMO recommends the continuation of provincial funding for community museums. Furthermore, the Association urges the federal government to re-examine its proposal to discontinue funding for community museums.

Recommendation 2

The Association recommends the status quo with respect to heritage conservation funding and activities.

Recommendation 3

Municipalities, with guidance from their Local Architectural Conservation Advisory committees, should have primary responsibility for the identification and designation of local heritage sites, as well as facilitating heritage planning and provision of infrastructure.

B. PUBLIC LIBRARY GRANT PROGRAMS

CURRENT PROGRAMS

The public library grant program provides financial assistance to those municipalities providing public library services in order to enhance the service level of the community. There are currently three grant programs which provide funds for public libraries.

1. **Libraries and Community Information Programs**

   The program provides assistance to municipal and county public library boards, municipalities, local service boards and improvement districts. The purpose of the grants is to support and enhance public library services at the municipal level.

2. **Ontario Lottery Project Program**

   This program grant supports the development of the arts and assists with the access to public libraries and community centres. It also promotes appreciation of historical conservation while encouraging participation and sharing of multicultural heritage.

3. **Community Information Services Program**

   Community-based, non-profit community information centres (CICS) were established in the late 1960s. In the early 1970s, the Ontario government established the Community Information Services Program to enhance local initiative and support for CICs by providing up to one third of the operating funds for CIC s that meet funding standards. Lottery are also provided for training, organizational development, equipment, internships and development of resource materials.

Recently, the Ministry of Culture and Communications conducted a study on CICs to determine the appropriate provincial structure, activities and resources related to community-based information services. The outcome of this study has not yet been communicated to AMO. Although some public libraries have been interested in developing community data bases, there has been some concern expressed that libraries cannot deal with social service problems, which represent the bulk of inquiries to date.

FUNDING

Grants to municipalities for public libraries are based on a per household figure. In southern Ontario, the grant in 1987/88 rose from $6.15 to $6.40; for county libraries and libraries in northern Ontario, the change is from $6.77 to $7.04 per household. county library systems and regional library allocation.

Table 2 shows provincial transfers for library grants from 1985-87. There has only been a 3.42% increase in transfer payments from 1985/86 to 1986/87. The Ministry of Municipal Affairs reported that in 1985 municipalities spent $304 million in operating expenditures on libraries. Therefore, in 1985/86, the province funded only 11% of the cost of library services, with municipal councils picking up the remainder.

Table 2

Library Grants	1985-86	1986-87	% Change
Grants to Public Libraries	$30,559,366	$32,281,000	5.63%
Lottery Program Grants to Local Government	$ 2,277,407	$ 1,679,000	26.28%
TOTAL	**$32,836,773**	**$33,960,000**	**3.42%**

* **Source: Ministry of Culture and Communications**

Public libraries are presently financed primarily from the municipal revenue base. The issue raised most frequently by municipal government with respect to financial matters has not been the "adequacy" of transfers but political accountability in providing the service.

In a 1982 paper, the provincial government circulated a consultation paper on the Ontario Library System, "A Foundation for the Future". The first principle stated:

> Public library service is a municipal responsibility. Municipalities are recognized as the primary focus for financial support of public library service in Ontario. (Page 6)

While the 1982 consultation paper affirmed the responsibility of municipalities to deliver library services, but failed to give local administrative and fiscal control. It also fails to specifically define the role of the provincial government. The provincial role of providing grants to municipalities was likely introduced in an effort to provide some fiscal equity across the system and universality of service. Library boards were created to provide the day-to-day management services for local libraries.

The Association of Municipalities of Ontario has repeatedly asked the provincial government to give municipalities greater authority for the administration of public libraries and more control over the allocation and expenditure of funds for the provision of library services. (See, for example, AMO's Response to the Bowron Report, 1976; AMO Report 9: Special Purpose Boards and Commissions, 1980; AMO Reports 12: Public Libraries in the 1980s, 1980; AMO Report 57: Ontario Public Libraries Program Review, 1981; and AMO Report 83-8 - Response to the Ontario Public Library System Consultation Paper: A Foundation for the Future, 1983).

AMO has stated that "by legislating the administrative structure to be utilized by municipalities in the delivery of public library services, placing restrictions on the availability of per capita grants and stating policy guidelines which specify, among other things, minimum weekly hour of operation, the provincial government is in fact restricting the capabilities of the municipality to provide services ... consistent with their local needs."

Recently, a conflict between provincial regulations and the local autonomy of municipalities to administer public libraries has arisen over the ability of municipalities to charge library user fees. Currently, library boards must circulate the following materials free of charge:

- books with hard, soft and paper covers
- periodicals newspapers
- audio materials designed for the handicapped

The Public Libraries Act of 1984 extended the prohibition on user fees to sounding recordings, audio and video cassettes, motion pictures and computer software through Regulation 100/85. Effective January 1, 1990, the following material must also be circulated free of charge:

- sound recordings
- audio and video cassettes
- tape recordings
- video discs
- motion pictures
- film strips
- film loops
- micro materials in all formats
- computer software
- multi-media kits

The Association fully supports the important function of public libraries in providing information and education to citizens in communities across the province. It is because of the vital role libraries play in the community that the Association has urged the provincial government to give public library boards the option of imposing user fees for certain materials, if needed. It is not possible to provide an expanding array of library services with limited sources of revenue. Information is available in a wide variety of sources, ranging from traditional written materials to audio-visual and computer technology. Technologies, such as films, impact discs, video cassettes and computer software packages, are significantly

more expensive than traditional printed materials. A nominal user fee for these specialized services can help defray the cost of these materials by raising funds from those who directly benefit from using the material.

At issue is the question of whether the provincial prohibition on user fees for certain types of materials offered at libraries constitutes an erosion of local autonomy.

AMO has concluded that library services are largely a municipal government service. In accordance with the decision-making mechanisms as described at the outset of this report, municipal functions should be either eliminated or funded as a deconditionalized grant. The Association does not support the complete elimination of provincial funding to this program. Provincial financing is still required to achieve the principles of fiscal equalization and universality in service across the province.

RECOMMENDATIONS FOR REFORM

Recommendation 4

The Association requests the Ministry of Culture and Communications to change Regulation 100/85 as it pertains to paragraph 5 to 14 of Section 2, pursuant to the Public Libraries Act, 1984, to provide for a more flexible local approach to the funding of library services to meet each community's unique needs.

Recommendation 5

AMO recommends that capital and operating library grants be deconditionalized and that the funding be included in the new basic municipal services unconditional grant program.

MINISTRY OF THE ENVIRONMENT

SUMMARY

AMO has recommended retention and enhancement of the current conditional grant programs for sewer and water services to meet the infrastructure needs of Ontario. All levels of government, federal provincial-municipal have some responsibilities for the funding of sewer and water services, particularly to achieve environmental goals.

AMO has concluded that both the province and municipalities must clearly define roles and responsibilities for waste management.

A complete revision of the existing grant programs is therefore needed to reflect a clear division of governmental responsibility within the waste management system.

- *funding for the master plan,hearing process would be eliminated with it becoming a provincial responsibility.*
- *funding for capital collection and disposal would be eliminated, with collection and disposal assigned to municipal government.*
- *conditional grants would be retained for site upgradings, 4Rs incentive funding, and research and development.*

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OVERVIEW

The Ministry of the Environment is charged with the responsibility of protecting the quality of Ontario's environment so as to protect the health of humans and the ecosystem. In 1986-87, the Ministry accounted for $262 million, or 0.80 percent, of total provincial expenditures. In 1987-88, the Ministry accounting for $255 million, or only 0.7 percent, of total provincial expenditures. This was expected to increase to $307 million, or 0.74 percent, in the 1989-90 Budget Plan. The Ministry of the Environment employs 200 people, or 2.37 percent of Ontario's public service staff.

The environment has emerged as a major issue of concern in public opinion polls. Waste management has emerged at the forefront of the growing list of environmental issues receiving attention from the Province. Many municipalities are faced with current landfill reaching capacity within 2-5 years, and the prospect of a protracted and expensive search for new means of dealing with their wastes.

While the Province maintains that responsibility for the management of municipal solid waste lies with municipalities, the impending waste management crisis has compelled the Province to increase its financial assistance to municipalities. Funding levels for existing programs have been increased and new programs introduced to further assist municipalities in meeting the planning and implementation requirements of the Province.

In 1987-88, the provincial government devoted $136 million (3.5 percent) of its $3.9 billion transfer payment budget to the environment (water, sewer and waste management). In 1986-87, environment transfers to municipalities totalled $112 million (3.3 percent) of a total $3.4 billion transfer payment budget. (These transfers are the total transfers to municipalities and municipal agencies and encompass more than the four existing municipal grant programs for the environment). In total dollars, the increase in environment transfer payments to municipalities over these two fiscal years was 21 percent. As a comparison in 1977-78, the provincial government transferred a total of $1,456 million to municipal governments and local government agencies. Of this total, $25,000,000 (1.7 percent) was devoted to the environment. Despite the doubling of provincial allocation to environment transfers, sewer, water and waste management grants still represent a small portion of the total transfer payment budget.

This chapter will address two areas which affect municipalities directly:

A. Sewer and Water
B. Waste Management.

A. SEWER AND WATER: CURRENT PROGRAMS

This section will address two areas: the Direct Grant Program and the Municipal Industrial Strategy for Abatement.

1. Direct Grant Program

Through the Ministry of the Environment's Direct Grant Program, municipalities may receive assistance for the construction of communal water and sanitary sewage works and for the repair or upgrading of private wells and sewage disposal systems. The actual number of projects assisted annually is limited, however, and depends on the amount of funds made available to the Ministry in the budgetary process. All grant Committee (formerly the Management by Review (MBR) Committee) which determines the need for works in terms of the correction of health/environmental problems and the accommodation of new residential growth. Proposed works may be accepted or rejected by the Ministry for grant funding. Eligible costs in calculating gross project costs for submission to the Ministry include: the cost of land related to freehold costs but not easements and construction; 12 percent of the construction costs are allowed for engineering service; miscellaneous costs can include such items as legal and other costs. Financing costs are not included. The six categories of direct grants available are described in Appendix A.

2. Municipal Industrial Strategy for Abatement (MISA)

The Ministry of the Environment recently indicated that the municipal side of the "Municipal-Industrial Strategy for Abatement", or MISA, is to be fully implemented by 1992.

Under the MISA program, municipalities will be given a wide range of responsibilities in regard to the controlling of toxic discharges into municipal sewer systems. These include developing and implementing enforcement programs, as well as sampling, inspecting and reporting findings to the Ministry.

The Ministry of the Environment is currently committed to providing funds for 50 percent of program development costs and 33 percent of capital costs. It is recommending that the majority of remaining costs be funded through various user-pay schemes which the Ministry will help develop.

At this point in time it is unclear how much MISA will actually cost municipalities. The Ministry's 1988 paper, "Controlling Industrial Discharges to Sewers", estimated that the projected 90 municipal enforcement programs would cost a total of $20,600,000.00. Subsequent calculations by some individual municipalities show that the figure might be unrealistically low. Current MISA cost estimates for a couple of municipalities with a population of approximately 300,000 run to $20 million per annum.

FUNDING

Provincial Transfers

In terms of actual grants to municipalities for sewer and water works through the Direct Grants Program, in the fiscal year 1985-86, the Ministry of the Environment transferred $28 million to municipalities. In 1986-87, the province increased its transfer payment budget and allocated $67.9 million to municipalities. This represented an increase of 142 percent over the previous year's allocation. Total transfer payments to municipalities through the Direct Grants Program and Waste Management Grant programs in 1986-87 was $73,219,969. In 1986-87, therefore, sewer and water grants represented 92.7 percent of total environment grants payments to municipalities.

Municipal Expenditures

Municipal expenditures on water and sewer are presented in Table 1. The data shows that in 1985, municipal expenditures for sewer and water services, was approximately $1.36 billion. In 1986, municipalities spent approximately $1.43 billion on water and sewer services. This represents an increase of 4.6 percent in spending. These figures are net of Ministry of the Environment Direct Grants.

Table 1

Municipal and Provincial Expenditures on Sewer and Water, 1985 and 1986 ($)

		1985	1986
Capital			
•	Sewer	269,150,000	266,457,000
•	Water	119,907,000	145,643,000
Operating			
•	Sewer	538,205,000	563,485,000
•	Water	465,266,000	519,069,000
Total			
•	Sewer	807,355,000	829,942,000
•	Water	585,173,000	664,712,000
Total (Sewer and Water)		**1,392,528,000**	**1,494,654,000**
Less MOE Direct Grants		(28,000,000)	(67,894,510)
Net Municipal Expenditure on Sewer and Water		1,364,528,000	1,426,759,490
Direct Grants as a Percentage of Municipal Expenditures (Sewer and Water)		2.0%	4.7%
Direct Grants as a Percentage of Capital Municipal Expenditures (SEWER AND WATER)		7.7%	19.7%
Increase in Municipal Expenditure		4.6%	(1985-1986)

Funding provided by the Ministry of the Environment in 1985 represented 2.0 percent of municipal costs on sewer and water. In 1986, the Ministry funded 4.7 percent of total municipal sewer and water expenditures. Viewed in terms of capital expenditure (i.e. net of operating costs), in 1985 the Ministry funded 7.7 percent of sewer and water capital costs. In 1986, provincial support for capital costs rose to 19.7 percent. In terms of total municipal expenditures on all services, in 1985 municipalities spent $9,680 million. Of this amount, $1,392 million, or 14.4 percent, was devoted to sewer and water services.

ANALYSIS

Responsibility for Water and Sewer

While the provision and operation of municipal sewer and water services has traditionally been a municipal responsibility, as more and more provincial regulations are established it is questionable where the responsibility actually lies. For the purpose of the analysis, it is perhaps appropriate to identify the various roles, responsibilities and positions of the three levels of government with respect to the provision and operation of municipal sewer and water systems.

The federal government does not believe it has a significant role to play in providing funding for sewer and water infrastructure. Since the expiry of the federal government's Community Services Contribution Program in 1980 and the Canada-Ontario Agreement Sewage Treatment Program (COAST), which was directed to municipalities in the Great Lakes region, the federal government has not made any direct contributions to municipal infrastructure. The federal government sees pricing as a more appropriate means of meeting these needs.

The Federal Policy on the Provision of Municipal Water and Sewer Infrastructure states that:

> Municipal water and sewer systems are areas of provincial/municipal responsibility. From 1960 to 1980, a period of rapid urban expansion, the federal government provided loans and grants for the construction of main trunk sewers sewage treatment plants and later for certain water supply systems. The program, which provided an added incentive to provincial/municipal action was terminated in 1980 when fiscal restraint brought federal assistance in an area of provincial/municipal responsibility into question.
>
> Concern about the state of existing water and sewer systems has now been added to the need for construction of new facilities. In fact, proposals have been made by other levels of government for federal cost-sharing for repair and upgrading of a wide range of municipal infrastructure.
>
> In terms of water and sewer systems, realistic pricing for these services would encourage users to conserve water, raise funds needed to build and maintain these costly systems, and encourage efficiencies and greater effectiveness through innovation. (Environment Canada - Federal Water Policy, 1987).

The provincial government has different responsibilities for sewer than it does for water. Sewer use is controlled by both provincial and municipal regulations. Through the Ontario Water Resources Act, municipalities which establish, expand or alter the process of any sewage works must receive a Certificate of Approval from the Ministry of the Environment. Through the Certificate of Approval, the Ministry regulates the type and quantity of discharges into watercourses. Currently these discharges are controlled on a site-by-site basis.

Under the Ontario Water Resources Act, any municipality may enter into an agreement with the Ministry of the Environment where the Ministry would assume the provision and operation of a sewage works. These treatment plants are considered municipal with operation provided under contract by the Ministry of the Environment. Currently, the municipal sector has 407 sewage treatment plants. Two hundred and thirty-eight (58 percent) are operated under contract by the Ministry of the Environment, of which approximately 194 are owned (wholly or in part) by the Ministry of the Environment. One hundred and sixty-nine (42 percent) are owned and operated by municipalities.

Municipalities have a large responsibility in sewer and water services. For sewer, municipalities may pass by-laws under the Municipal Act prohibiting, regulating and inspecting the discharge of any gaseous, liquid or solid matter into land drainage works, private branch drains and connections to any sewer, sewer system or sewage works. In other words, the municipality has control over what comes into the sewage treatment plant and the Ministry of the Environment controls what leaves the sewage treatment plant.

Municipalities are also responsible for the construction and maintenance of sewage works as regulated through the Ontario Water Resources Act. Provincial financial assistance is available to municipalities through the Direct Grants Program.

The provision of water services is conducted by municipalities. The Municipal Act allows municipalities to impose a waterworks rate on land-owners and specifies how rates are to be calculated. The Public Utilities Act gives municipalities the power to establish waterworks, and charge for services. The province, under authority of the Ontario Water Resources Act, regulates these services and allows for provincial control of water use from any source of supply.

The provision of water infrastructure is the responsibility of the municipality. Until 1987, municipalities were not eligible for provincial financial assistance for water pipe rehabilitation. Municipalities are also responsible for the operation of water services.

Therefore, both the provincial and municipal government levels share responsibility for sewer and water services. The provincial level regulates of these services while the municipal level controls the day-to-day operation of facilities. Historically, each level has had a responsibility in the funding of these services. The provincial government has assisted with fixed capital costs, while the municipal level has funded both fixed capital costs and operating costs. Philosophically, the protection of the environment can be viewed however, as a national, provincial and local responsibility.

Deteriorating Sewer and Water Infrastructure

According to a 1984 study conducted by the Federation of Canadian Municipalities (FCM), while the major responsibility for infrastructure rests with local government, the funding required for municipal infrastructure is beyond the financial ability of most local governments. These findings are supported by a 1985 AMO report, entitled Report of the AMO Joint Committee on Sewer and Water Services (85-4). This report revealed that accumulated operating deficits produced by Ministry operated sewer and water plants had

reached a level of $22,133,881 and had increased total capital obligations by over 28 percent for sewer and water services in small and rural municipalities (population less than 7,500). In 1985, the provincial government endorsed, in part, AMO's recommendation and "wrote-off" $175 million in municipal debt for sewer and water services. Approximately $40 million of this $175 million was directed to smaller municipalities.

According to the Honourable James Bradley, Ontario Minister of the Environment: "Ontario's aging systems have made preventative maintenance and rehabilitation the top funding priority. However, we are looking at a multi-million dollar price-tag. Federal assistance is not only essential, it is an obligation."

The Ontario Sewer and Watermain Contractors Association (OSWCA) believes that catch-up financing for deteriorating sewer and water infrastructure can only be afforded if the costs are split three ways between federal, provincial and municipal governments and that all three levels of government must contribute their share.

While capital and operating deficits have posed severe problems for many municipalities, some are also experiencing difficulties in meeting current provincial sewer use regulations. According to the Ministry of the Environment "Report on the 1986 Discharges from Municipal Waste Water Treatment Facilities in Ontario", 151 treatment plants or 37 percent did not meet the effluent requirements for the fifteen conventional pollutants. According to the 1986 report "some facilities fail because of operational inadequacies, some require modifications to process equipment or the collection system, and others require major capital expansion."

While some municipalities require major capital expansion to meet current provincial regulations, the Ministry of the Environment proposed the Municipal-Industrial Strategy for Abatement (MISA) program in 1986, which will impose ever stricter standards. The goal of this program is to virtually eliminate the flow of toxic chemicals into provincial waterways. This will be accomplished by monitoring and treating the fifteen conventional pollutants plus an additional 169 contaminants. Additional costs will be encountered for: monitoring of toxic contaminants coming through a sewage treatment plant; laboratory costs; implementation of the best available technology economically achievable; and receiving water assessments. Municipal treatment plants will be required to comply with the new regulations by the end of 1989.

While this program is not yet in effect, some municipalities are being required to upgrade their plants to future standards as part of the Certificate of Approval process. This new program should therefore be noted in the context of overall funding adequacy of the grants program.

Financing Water and Sewer Costs

User fees represent an alternative to increases in general tax revenues. While normally accounting for a portion of the revenue required for most services, for water distribution systems and water and sewage treatment respectively, user fees provided 85 percent, 82 percent and 65 percent of the funds needed for operation, replacement and rehabilitation.

User fees also constitute the largest source of funds for sewage systems (47 percent). (Based on FCM survey of Canadian municipalities - 1984). However, a 1987 Inquiry on Federal Water Policy noted that the capital and operating costs of water supply are generally covered by an amalgam of intergovernmental grants, tax revenues, fixed levies and fees based on recorded use.

Charges levied on users covered 75 percent of recorded costs, but because recorded costs normally exclude grants and amortization allowances, the proportion of true economic costs covered by user charges is much lower.

The Inquiry's investigations revealed a variety of deficiencies in the pricing systems in municipal water and waste utilities in Canada that contradict the user pay principle, do not support conservation and do not reflect the essence of a landmark report that in the principle of charging beneficiaries the full costs, approximately in proportion to their demands on the facilities. With that in mind the Inquiry found that:

- Many users are unmetered and so are not assessed according to their demand in the system.
- Some costs, including depreciation are not accounted for the rate base.
- Charges frequently do not cover full costs.
- The value of water itself is not recognized.
- The allocation of costs among fixed rates, minimum user fees and per unit prices is unsystematic.
- Declining block rates blunt incentives to conserve water and leave users paying varying marginal rates.

According to the Ontario Sewer and Watermain Contractors Association (OSWCA) maintenance should be financed through fees charged by municipality to users for the services of delivering fresh water and removing waste water. The OSWCA believes that the price charged should be on actual costs and that users should be metered and pay for the amount used.

In the 1988 Ministry of the Environment Report entitled "Controlling Industrial Discharges to Sewers", a number of user-pay schemes which municipalities could consider are outlined. The Ministry of the Environment believes that whichever financial scheme is chosen it is imperative that it be adopted by all municipalities in order to maintain a province-wide consistency.

a) Ad Valorem Tax Increases for All Users

This approach establishes rates for sewer use based on the per dollar value of assessed property value. Using this rate, each unit - residential, commercial, industrial or other - is charged according to its value.

This method distributes cost of sewer and water treatment over the entire population of the municipality.

Certain disadvantages, however, are associated with this system of generating revenues. Collecting funds proportional to the value of an establishment would not be equitable across the industrial sectors since valuable properties do not necessarily discharge large quantities or high strength wastes. This system would also place a portion of the costs on domestic dischargers (including homeowners) to support the implementation of a program designed to address industrial discharges.

b) Surcharge to All Users

This option also distributes program operating costs to all users of the municipal sewer system. The primary difference between the surcharge to all users and the ad valorem basis for levying charges is that the surcharge would consist of a flat rate (i.e. fixed rate) per user while the ad valorem system imposes varying charges proportional to assessed property value. An advantage of this system is that no particular user would bear exceptionally large or small portion of costs because each user would be subject to a fixed increase in sewer use charge over the present charge.

A disadvantage of this system is that a substantial portion of costs are borne by residential users. A fixed fee surcharge may be an onerous financial burden for some users while for others it represents only a minor increase. Another disadvantage is that a fixed fee is not related to actual consumption, therefore the fee does not offer consumers any incentive to conserve water or use the system more efficiently.

c) Proportional Charge to All Users

Costs under this alternative would be disseminated to all users of the sewer and water system proportionate to their actual use of the system. This is used in most municipalities as a means of assessing users for normal sewage servicing. A convenient and common manner of deriving these charges is through the application of a rate factor to each user's water consumption volume.

One of the obvious advantages of a user charge over either the ad valorem or surcharge to all users system is that it attempts to more closely correlate a user's charge to its actual sewer use, whether it be by volume, strength, or the non-domestic pollutants it contains. This approach is more equitable that those previously discussed, due to the relationship of payment to actual use. This option also has the advantage of distributing program costs to all users, and minimizing the impact of sewer use charge increases to any one class of user.

While this approach tries to relate price with actual sewer use, tying a charge to volume used may be misleading. Volume may not be as important a variable as the actual number of pollutants emitted. For example, industrial waste water may be more costly to treat than the same volume of domestic waste water, but a volume-related fee would not recognize this important difference.

4. Debt Financing

Another source of revenue is debt financing. According to the 1984 FCM survey, debt financing can account for ten percent of revenues for sewage collection and 11 percent for water treatment. At that time the FCM noted a growing tendency among Canadian municipalities toward short-term planning. The data collected indicated that debt had maintained a fairly constant proportion of a steady declining total budget for public works. As a result, municipal infrastructure capital financing is placed in direct competition other services such as police, fire and various social services. The increased demand on general tax revenues has forced municipalities to cancel or postpone long-term capital replacement projects in order to finance day-to-day operating needs.

An advantage of debt financing is that the structure of the financing will more closely match the useful life of the sewer and water system. Financing long-term capital expenditures with current revenues means that current taxpayers are paying a disproportionately high amount for a system which also benefits future taxpayers. Using more debt financing means that the costs of the system are spread more equally to those who benefit from using the system over time.

RECOMMENDATIONS FOR REFORM

As both the provincial government and local governments have responsibility for the regulation, enforcement and provision of sewer and water services, these services should be delivered through a conditional grant on a provincial/municipal cost shared basis. According to the decision making model, if the provincial government mandates a program, and establishes strict administrative and regulatory controls and standards, provincial contributions to the cost sharing formula would be significantly higher. If the program is voluntary and municipal government is accountable for funding and management of the programs then the provincial contribution to the cost-sharing program would be at a lesser rate than for a mandated program.

Recommendation 1

The Association recommends that the provision of municipal sewer and water services should to be delivered through conditional grants on a federal/provincial/municipal cost-shared basis; and this existing framework should be used to ensure that the province provides adequate funds for provincially-initiated programs.

While much discussion has taken place in the past with regard to the federal role in the provision of sewer and water services, the Association believes that sewer and water services are primarily a provincial-municipal responsibility.

Recommendation 2

The Association recommends that where changes in regulations or standards have been imposed on municipal facilities by the provincial or federal governments; said levels of government should undertake to subsidize the costs incurred.

Recommendation 3

The Association recommends that municipalities reassess current levels of user-fees to provide for the eventual full cost recovery of sewer and water services. At the provincial level, the appropriate legislation should be amended to allow municipalities to employ user-fees to finance future expansion.

B. WASTE MANAGEMENT: CURRENT PROGRAMS

Prior to June 1987, the Ministry of the Environment offered a limited number of small waste management grant programs. They were the Waste Management Planning Studies, Waste Site Improvement Program and the Municipal Recycling Support Program.

In June 1987, the Ministry of the Environment announced a major restructuring of its waste management grant programs by incorporating the previous 3 programs and by adding a new Financial Assistance Program (FAP). Under the new Comprehensive Funding Program for Waste Management, funding is being provided for treatment and disposal, and the 4R's (recycling, recovery, reduction, reuse).

Waste Management Master Plan Program (WMMPP)

Under this program, the Ministry funds up to 50 percent of the costs of developing long term waste management master plans. Legal fees are not eligible costs under this program.

Waste Management Improvement Program (WMIP)

Under this program, the Ministry funds up to 100 percent of the costs of upgrading or closing waste disposal sites. Applications are selected on an environmental/health priority basis. The Ministry is considering reducing the grant rate in order to fund more projects.

Financial Assistance Program (FAP)

Under FAP, assistance will be provided for establishing or expanding landfill sites, transfer stations and processing facilities. Eligible activities include engineering design and consulting services, technical/hydrogeological studies, hearing/approval costs, public consultation costs and the capital costs of construction, land and equipment. Funding will be 75 percent for municipalities under 7,500 population and 50 percent for municipalities over 7500 population. Groups of municipalities will be funded at 60 percent. Applications will be selected on an environmental/health priority basis.

4R's (Recycling, Recovery, Reduction, Reuse)

With respect to the 4R's, the Municipal Recycling Support Program has been expanded and new funding has been introduced to assist municipalities in establishing facilities for recovering materials from mixed solid waste, or for processing these wastes into useful products. Funding is one-third of in-service capital costs and up to 100 percent for research, development and demonstration. A new reduction/reuse program was introduced to assist municipalities, the private sector or others to implement projects aimed at altering consumer waste-generation behaviour. Funding is up to 50 percent of promotional costs and up to 50 percent of capital costs. Development of creative materials, such as educational pamphlets, will be funded up to 100 percent to a maximum of $25,000.

FUNDING

Provincial Transfers

In 1985-86, the Ministry transferred $544,048 to municipalities under the Municipal Recycling Support Program. In 1986-87, transfer payments increased to $3,207,446. It is estimated that in 1987-88, transfer payments under the new 4R's program will total $5,500,000. Funding has increased 220 percent from 85/86 to 86/87 (see Table 2).

Table 2

Waste Management Transfers to Municipalities ($)

	85-86	86-87
Waste Management Master Plan Program	500,000	650,000
Waste Management Improvement Program	622,923	1,468,013
4 R's (Municipal Recycling Support Program)	544,048	3,207,446
Financial Assistance	---	---
TOTAL	1,666,971	5,325,459
% INCREASE 1985/86-86/87		220%

Municipal Expenditures

Table 3 describes municipal expenditures on solid waste management.

Table 3

Municipal Expenditures on Solid Waste Management ($000s)

	1985	1986
Capital	29,487	47,428
Operating	242,987	274,167
Total	272,474	321,595
Less Ministry of the Environment Grants	1,667	5,325
Net Municipal Expenditures	270,807	316,270
Grants as a percentage of Municipal Expenditures	0.6	1.7
Grants as percentage of capital Municipal Expenditures	5.6	11.2

Funding provided by the Ministry of the Environment in 1985 through Waste Management Grants represented 0.6 percent of municipal costs on solid waste management. In 1986, the Ministry funded 1.7 percent of waste management expenditures. Viewed in terms of capital expenditure (i.e. net of operating costs), in 1985 the Ministry funded 5.6 percent of waste management costs. In 1986, provincial support for capital costs rose to 11.2 percent.

In terms of total municipal expenditures on all services, in 1985 municipalities spent $9,680 million. Of this figure, 0.272 million or 0.003 percent was devoted to waste management.

ANALYSIS

Inadequate Provincial Funding

The Association has endorsed policy guidelines, resolutions and reports calling for increased provincial funding for waste management. The Association called for a comprehensive funding program for waste management in its 1987 meeting with the Premier and Cabinet and through the pre-budget consultation process. The rationale presented was that while the Province had strengthened and expanded its environmental protection program, there had been no parallel attempt to assist municipalities in meeting the dramatically increased costs associated with the level of environmental protection required by the Province.
The Association stated that the Province was funding 50 percent of the cost of waste management master plans, but that master plans, while being expensive documents, represented only a small portion of the total costs of waste management. The Association

stated that the Province was not cost-sharing the most costly items, such as the environmental approvals process, the capital costs of constructing new landfills or the costs of developing other waste management technologies.

The Province responded by introducing the Comprehensive Funding Program for Waste Management. While specific budget figures for this program are not yet available, preliminary budget projections are $20 million in 1988-89. This allocation does not seem commensurate with the notion of "comprehensive", particularly when one considers that the sum includes funding for three continuing programs and that the remainder is supposed to cover the largest cost component--capital. It would appear that the initial allocations under the Comprehensive Funding Program could be exhausted by a few medium scale projects. For example, the County of Wellington has estimated that a 200-300 acre landfill and transfer station will cost $3-4 million dollars, including land acquisition, with annual operating costs of $1.8 million. An energy from waste plant would cost $20-30 million. Many of the master plan studies currently underway are reaching advanced phases, and the demand for financial assistance will be mounting as more and more master plans gain approval.

The Ministry of the Environment staff estimate that there are approximately 300 municipalities with less than five years capacity in their landfill sites. Of these, 160 have two years capacity. Two-hundred and twenty municipalities have expressed interest in the Waste Management Master Plan Program with 33 master plans in progress. The experience of those participating in the program indicates that cost and time estimates for the studies are frequently 100 percent more than originally budgeted. It must be expected that many more master plans will be commenced in the near future and program funding should be based on much higher study cost expectations than in the past under this program.

The fact that the Ministry has indicated that applications under the Financial Assistance Program and the Waste Management Improvement Program will be selected on an environmental/health priority basis suggests that the Ministry of the Environment does not feel that the funding will be adequate. In addition, since the program was introduced, the waste management problem has increased in profile and the solutions seem to be becoming more elaborate and expensive, leading to a widening funding gap.

Roles and Responsibilities

It is clear from the analysis that both the provincial and municipal governments have roles and responsibilities for waste management. The Association believes, however, that these responsibilities should be clearly identified before recommendations for grant reform are suggested. The following text outlines therefore, AMO's positions on these issues.

Hazardous waste is the sole responsibility of the Province. The Association believes that waste management is a shared responsibility of the Province and municipalities. AMO believes there is a distinction, however, between the planning, hearings and approvals process, and the construction and operation of facilities.

With respect to the planning, hearings and approvals process, the provincial government has mandated master planning and set the terms of reference for the studies that all approvals are subject to provincial Environmental Assessment legislation. Given the strong provincial direction and involvement in this area, the Association believes that the provincial government should be responsible for funding of the hearings and approvals process. On the other hand, municipalities have the responsibility for collection and disposal of waste. Therefore, the Association believes that municipalities should be responsible for the construction and operation of disposal facilities, including maintenance and replacement. It is likely that this will lead to the adoption of more realistic tipping fees, true-cost accounting and the strengthening of the user-pay principle.

The provincial government has the additional role of carrying out research and development into new technologies, sponsoring and promoting the 4R's, and other pilot projects. The provincial government also retains legislative and regulatory power for such things as soft drink container regulations, packaging, etc.

At the policy level, the provincial government has required Ontario Hydro to purchase electricity generated from Energy from Waste (EFW) facilities. The Association recommends that the provincial government continue to play a leadership role in terms of the development and promotion of new technologies, the enactment of legislation and regulations related to waste management, and the adoption of policies supporting effective waste management.

In terms of sites that are now closed, the Association believes that the responsibility for these sites should be shared between the provincial government and municipalities. Sites that need to be upgraded or closed as a result of an increase in Provincial standards (e.g. Regulation 309), should also be the shared responsibility of the province and municipalities.

As a final point, the Association notes that the Ministry has prioritized certain projects for funding on an environmental/health priority basis. The Association believes that there can be no basis for prioritizing these projects other than need and would recommend that funding be increased for all waste management grants.

The foregoing definition of responsibilities necessitates some changes to the Ministry of the Environment's waste management funding programs.

RECOMMENDATIONS FOR REFORM

Recommendation 4

AMO believes that waste management is the shared responsibility of all parties, the provincial government, municipalities, industry and the consumer.
Within the system, there is a distinct division of governmental responsibilities.

DIVISION:
- hazardous waste is a provincial responsibility
- the planning, approvals and hearing process would be a provincial responsibility
- research, development, policy and regulation is a provincial responsibility
- collection and disposal would be a municipal responsibility
- site upgrading to meet stricter provincial standards would be a joint provincial-municipal responsibility.

The Association therefore recommends a revision of the existing funding programs to reflect this clear division of roles and responsibilities within the waste management system:

Recommendation 5

The Waste Management Master Plan Program (WMMP) would be eliminated, with the responsibility for the master plan, environment assessment process assumed by the Province of Ontario.

Recommendation 6

The Waste Management Improvement Program (WMIP) would be retained as a cost-shared conditional grant, as site upgrading to meet provincial regulation is a joint responsibility.

Recommendation 7

The Financial Assistance Program (FAP) would be eliminated with the hearing/approval funding not required as it would be a provincial responsibility. The capital component would not be required, with municipal governments assuming financial responsibility for collection and disposal.

Recommendation 8

The 4Rs funding programs (Recycling, Recovery, Reduction and Reuse) would be retained, as research and development, policy and environmental regulation are a provincial responsibility. (The financial assistance under th 4Rs initiatives should be directed to research and the development of new technologies to assist municipalities in meeting the environmental goals established by the Province).

Recommendation 9

Household Hazardous Waste Programs should be operated by the provincial government. If the Ministry of Environment wishes Household Hazardous Waste Days to be locally based, these could be organized by municipalities for the Ministry on a contract for service basis.

Recommendation 10

The Association recommends that the provincial government review the current expenditures of Waste Management Programs, with a view significantly enhancing the provincial allocation to meet needs.

MINISTRY OF HEALTH

SUMMARY

In the interest of providing for the basic health needs of the citizens of Ontario, and to ensure that services are accessible, affordable and standardized across the province, AMO recommends that the provincial government totally fund mandatory health programs.

However, in view of Ontario's changing demographic environment and the continued escalation of currently high health care costs, the Association recommends the restructuring and expansion of local Boards of Health. By making the Boards more representative of their respective communities, they can better serve as decentralized delivery agents for public health programs.

The Association recommends the status quo for the community health program delivery, but that programs be more adequately funded to meet client needs. Hospitals and ambulance services, being a provincial responsibility, should be financed from the provincial revenue base.

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OVERVIEW

In its review of the financial support programs of the Ministry of Health for municipal involvement in the health care field, the Association has focused its analysis on the following key areas:

A. Public Health Programs
B. Community Health Programs
C. Hospital Funding
D. Ambulance Services

AMO is of the view that it is time for the role for local government in the health care field to be reconsidered. This re-examination as part of the Association's review of all conditional grant programs is timely in that there are several concurrent review processes of the health care field also underway, at the initiative of the Provincial government. Management Board of the Province of Ontario examined the organization and responsibilities of the Ministries of Health and Community and Social Services in its "Health and Social Service Organization Review". The Ministry of Health Public Health Branch circulated in 1987-88 a preliminary "Discussion Paper on Public Health Program Funding" which outlined a proposal for a 100 percent provincially funded public health program operated by "new community boards".

The past few years have seen a variety of studies and commissions in the health care field. In 1986/1987, the Ontario Health Panel Review chaired by John Evans examined changing patterns and trends in our health care system and recommended specific incentives and mechanisms to maintain the quality of the system and encourage effective use of resources.

In response to rising cost of the Ontario Health Insurance Program a task force was established in 1988 to analyze the use of medical services. Also in 1987 the report of the Minister's Advisory Group on Health Promotion chaired by Steven Podborski contained recommendations to the Provincial government on the development of health promotion strategies in our communities.

The above references illustrating the environment of reform in the health care field, are not the only reason for AMO suggesting that the municipal government role in funding and delivering of certain health care programs should be re-considered. It has become apparent that there is an obvious and critical need for "regionalization" of health care services. A coordinated approach to health and social services at both the local level and at the provincial level is critical to future program delivery.

Other trends influencing the environment are: the growing demand for home care and community programs as opposed to institutional care, the increased role of the private sector in the health care field, the changing emphasis to health promotion and prevention of illness, the continued impact of de-institutionalization. These factors lead to the need for increased involvement and leadership from the federal and provincial levels of government both in terms of financial commitment and accountability and in establishing long term goals and strategies for a more effective and efficient health care system.

Provincial Transfers - Ministry of Health

The Ministry of Health has the largest allocation of all provincial Ministries. In both 1986-87 and 1987-88 the Ministry's budget equalled 33% of the total provincial budget. Of this allocation, less than 2% was transferred directly to municipalities, in the form of conditional grants, as the Ministry has traditionally taken the lion's share of responsibility for health programs.

	Ministry of Health Budget	Local Transfers	
		$	%
1986-87	$10.5 billion	$138 million	1.3%
1987-88	$12.7 billion	$173 million	1.4%

FUNDING

The following extract from "Economic outlook and Fiscal Review for Ontario 1988" as prepared by the Ministry of Treasury and Economics illustrates growing concerns regarding the financial base of the province's health-care system.

> "The increasing share of spending dedicated to health care is of particular fiscal importance because it has influenced and will continue to affect the resources available for all other Provincial programs.
>
> In the period from 1978-79 to 1988-89, health care expenditures increased at an average annual rate of 12 percent. After allowing for population growth, which averaged 1 percent per annum over the period, per capita health spending increased at a rate of 11 percent per year.
>
> The largest components of the overall health care program are the Operation of Hospitals, the Ontario Health Insurance Plan (OHIP) and the Ontario Drug Benefit Plan (ODB). In 1988-89 these three programs will account for 80 percent of Ministry of Health expenditures.
>
> Expenditures for the Operation of Hospitals, the largest component of health care expenditures, increased at an average annual rate of 11 percent over the 1978-79 to 1988-89 period. Spending has more than doubled from $2.0 billion to $5.5 billion. The share of the Ministry of Health budget dedicated to the operation of hospitals has declined, however, from 50 percent in 1978-79 percent in 1988-89.
>
> OHIP costs have increased at an average annual rate of 15 percent over the period, quadrupling total OHIP outlays from $1.0 billion in 1978-79 to $4.0 billion in 1988-89 and increasing the program's share of Ministry of Health expenditures from 26 percent to 32 percent. Rising utilization and an average annual 3.3 percent increase in the number of physicians over the past ten years were contributing factors to this increase.
>
> One of the most rapidly growing components of health care costs is the Ontario Benefit Plan. Ministry of Health expenditures on the ODB plan increased from $89 million in 1978-79 to $569 million in 1988-89. The share of Ministry of Health expenditures allocated to ODB increased from 2 percent to 5 percent over the period. One factor accounting for this fast growth has been a rapid increase in the size of the eligible population. There are 35 percent more seniors aged 65 and over in the province in 1988 compared to 1978. An additional factor has been the sharply increasing cost of claims."

In the Association's analysis of the "adequacy" of the conditional grant programs, it is necessary to highlight the first sentence of the above quotation from the Ministry of Treasury and Economics publication, that is that provincial expenditures for health care have influenced the availability of funds for another program areas.

Provincial Transfers for Local Health Care

Health programs are a significant component of municipal expenditures. Municipal dollars spent on health services are for ambulances, public health programs, health education programs, and public health inspections. This also includes the financial contribution to hospitals. The above according to "Local Government Finance in Ontario, 1985" comprised 17.7 percent of municipal expenditures in 1985.

The per household allocation from municipal revenues on health programs varies across the province; however cities in Northern Ontario have the highest per capita costs.

Program Statistics

Prov. funding for Public Health (75/25 cost-sharing)		**% increase**
1985/86	$131,157,000	- -
1986/87	$159,121,000	20%
1987/88	$162,228,000	2%

Provincial funding for Community Support Programs (100% Provincial funded)		**% increase**
1985/86	$153,742,148	- -
1986/87	$201,072,900	31%
1987/88	$245,102,598	22%

Provincial funding for Hospital Capital Support Support (2/3 Provincial/ 1/3 local funding)		**% increase**
1985/86	- -	- -
1986/87	- -	- -
1987/88	$181,000,000	- -

Provincial funding for Ambulance Services (up to 100% Provincial funding for approved costs)		**% increase**
1985/86	$ 25,104,000	- -
1986/87	$ 26,094,791	4%
1987/88	$ 28,833,760	10%

A. PUBLIC HEALTH

The Ministry of Health provides funding to local boards of health for approved public health services and core health programs, in accordance with the Health Protection and Promotion Act 1985 and its regulations. All local boards of health are eligible, within the following condition and procedures:

- each board must provide the required information to the Minister or municipal council
- each board must keep accounts and prepare an annual financial statement
- each board must submit its annual budget to municipal council for approval and then to the Ministry of Health where it is subjected to a line by line review
- new or expanded program proposals must be submitted to the District Health Council for review and then to the regional office of the Ministry of Health for approval.

Cost sharing is allocated on the following basis:

> 75 percent provincial funding, 25 percent municipal funding (except for the area municipalities of Metropolitan Toronto where the formula is 60 percent provincial, 40 percent municipal)

Additional provincial assistance is available for:

- Family Planning (100 percent of "approved" costs)
- Sexually Transmitted disease clinics ($11 per each clinic attendance)
- Aids Control programs (100 percent)
- Children's Dental Treatment Program (100 percent)

Public health programs in unorganized territories are 100 percent funded by the provincial government.

ANALYSIS

Adequacy

The following extract from a recent communication from a member municipality summarized municipal concerns with growing health care costs.

> "It appears that, although municipalities have little formal contact with the Ministry of Health, an increasing share of municipal tax revenue is going to support health issues. From Wellington County's perspective, we are finding three such areas.

1/ Hospital capital financing - We have pledged $3.3 million to Guelph hospitals for expansion. The Fergus hospital is asking for $1.5 million. Other counties are in the same position.

2/ Homes for the Aged - originally conceived as residential facilities, the municipal homes are becoming chronic care hospitals as the residents live longer and become increasingly frail. Our home, following over 10 years of subinflationary increases in levy requirement went from $100,000 in 1985 to $306,000 in 1988, largely due to increased nursing. Rumour has it that Municipal Homes may fall under the jurisdiction of the MOH with the new extended care act.

3/ Community Health - The local Health Unit has averaged slightly less than 9% / annum increase in levy requirements over the last 4 years."

Although not all currently under the direct jurisdiction of the Ministry of Health, the above does illustrate the collective impact of funding inadequacies in a variety of inter-related health programs and services. Public health, that is the programs cost-shared with municipalities in accordance with the Health Protection and Promotion Act 1985 has been an on-going concern to the municipal sector.

In the early 1980's the Association participated in the consultation process for the development of the current legislation. This legislation instituted mandatory or "core" programs to be cost-shared with municipal government (75 percent provincial; 25 percent municipal). The key issue at that time, was the imposition of "core" programs and the resulting transfer of expenditures to the municipal tax base without the commensurate local authority regarding decision-making and administration.

In 1984 the Association in commenting on the draft Health Protection and Promotion Act, expressed its concerns with the imposition of "core" health programs which would be highly controlled by Ministry of Health guidelines. Also at this time AMO noted that municipalities were experiencing considerable uncertainty regarding future budget implications for "core" program and for permissive programs. In 1985 at the proclamation of the Act, the financial assurances were still absent.

Statistics indicate that local boards of health budgets have increased yearly, well above the inflation levels. However the best measure of the program funding is the Ministry of Health's admission that the objectives of the public health programs are not being achieved in consistent manner across Ontario. Public health programs and the other required duties legislated under the Health Protection and Promotion Act are not being implemented by all boards of health. The prime reason for the inconsistent delivery of public health services is the <u>inability</u> for many municipalities to match program dollars for the expanded mandatory programs under the current cost-sharing formula.

Grant Structure

The major concerns with respect to the mandatory public health programs of the Health Protection and Promotion Act and the current cost-sharing situation, relate to political control and financial accountability.

> "There is general concern among municipalities for the gradual erosion of local board autonomy in carrying out local responsibilities, including the management of health units."

In the early 1980's, many municipalities objected to "minimum service levels" because municipal budget increases to introduce core programs were considered excessive. In addition, some boards of health exceeded minimum service levels in some programs. AMO's position was that there should be flexibility in Ministry guidelines to meet the perceived needs and priorities of each health unit.

AMO also in 1982 recommended that permissive legislation be included in the legislation to allow committees of council (or joint committees of more than one council where appropriate) to replace boards of health. Several other recommendations were also made, designed to strengthen the municipal role in service delivery and control of local, boards, including submission and approval of budgets, choice of board members, appeal procedures, etc.

More recently, one of the more controversial resolutions debated at the 1988 AMO Annual Conference related to provincial funding for local boards of health. The resolution widely supported by the membership called for 100 percent provincial funding of operating costs of health units across Ontario.

The issue of cost-sharing for public health programs has been the subject of a recent Ministry of Health "discussion paper" which was circulated to a limited list of interest groups for preliminary input. The Minister of Health, Public Discussion Paper of September 1987 Health Branch stated that the Ministry was proposing to implement 100 percent provincial funding for all Ministry approved programs to ensure that all Ontarians had equal access to basic public health programs. The following briefly summarizes the Public Health Branch, Ministry of Health proposal and rationale for the change in policy.

The Ministry in its report stated that basic disease prevention, health protection and prevention programs are legislated but not yet universal. Core programs developed in 1983 were to ensure the provision of a minimum level of service. Additional public health responsibilities such as school health services, occupational and environmental health hazards are also detailed in the regulations of the Health Protection and Promotion Act. Despite the fact that there are legislated mandatory programs and ministry basic guidelines for their implementation, the progress for program delivery province-wide has been slow. The Ministry concluded by suggesting that the existing funding relationship was perhaps an impediment in meeting the objectives of the public health programs and suggested that the

Ministry should assume total funding responsibility for approved public health programs, the increase to be phased in over 3 years. The financial impact for the Province in 1987 dollars would have been $62 million.

Intergovernmental Roles and Responsibilities

The mere suggestion of "core" or mandatory programs raises the issue of the provincial-municipal partnership in the delivery of such programs. In examining governmental roles and responsibilities in the field of health care it must be emphasized that the key funders in accordance with the British North America Act are the federal and provincial levels of government. Municipal involvement has been restricted to the area of public health. With the imposition of new mandatory programs in response to our changing environment, it is obviously timely to examine the continued involvement of municipal government in the provision of public health programs.
The Association states that as with social service programs, there can also be a clear basis for the determination of an exclusive provincial jurisdiction of public health program, such as:

- the provision of basic human needs
- province-wide accessibility and affordability
- standardization of service

The "core" programs of the Health Protection and Promotion Act as outlined in Part II Section 5 of the act are: community sanitation, control of communicable diseases, preventive dentistry, family health, home care, nutrition and public health education. These mandatory programs obviously have already been determined as universally desirable across the province. Therefore the Association concludes that the provincial government should assume the financial contribution for the provision of a basic level of service for these programs.

In accordance with its decision-making model for a new transfer payment system, the Association states that if a service is determined as a provincial responsibility, then the program should be delivered either:

(a) by the provincial government,
or
(b) by a 100 percent provincially funded grant program

RECOMMENDATIONS

Recommendation 1

> The Association recommends that the provincial government totally fund the mandatory core health programs of the Health Protection and Promotion Act, 1985.

Recommendation 2

> AMO recommends a restructuring of local boards of health to become either community boards with representation from municipal government, school boards, community groups, the provincial government, or that municipalities retain their existing health board/committee of council structure with the option to delivery public health programs on behalf of the provincial government on a contract for service basis.

Recommendation 3

> The Association further states that restructured local boards of health should remain as the decentralized delivery agents for public health core programs.

The above recommendations would require fundamental changes in the current provincial-municipal partnership with respect to public health service. However, it is recognized that due to the fiscal and administrative diversity of municipal government across the province, that the achievement of a minimum level of service for many public health care program, could not be achieved otherwise.

The Association's recommendations also go beyond mechanisms, to potential program delivery options, based on the themes identified in the three major health care studies of the past few years (refer to Overview Chapter). An important aspect of the future health care system will be community participation.

Also the Minister of Health, has stated in the Ontario Legislature (October 20, 1988 Hazard) that "A major emphasis will be place on assisting communities to mobilize services that will support individuals in making healthy life choices". At this time the Minister announced a funding commitment to a "Healthy Communities Promotion Program", a program centred on health promotion and disease prevention.

AMO has concluded that changing social needs will clearly identify health care, including public health programs as a provincial responsibility. The provincial policy direction for an increased emphasis on preventive programs is a positive step that must also be integrated and coordinated within the overall health care system.

B. COMMUNITY HEALTH PROGRAMS

Support Services for Special Needs Housing

In September 1988 the Ministry of Health announced its financial commitment of $3.2 million to operate supportive housing programs for ex-psychiatric patients in non-profit housing projects, group homes and special apartment units. The program is part of the federal-provincial non-profit housing program for 1989, and is co-operative venture of the federal and provincial governments to provide community support to those requiring such assistance. (The federal government therefore contributes 60 percent and the provincial government, 40 percent).

The funding for operating costs is allocated through the Ministry of Health to municipal non-profit corporations and as well to private and co-operative non-profit groups.

Homecare Program

A wide range of co-ordinated homemaking and support services provided both in home and school settings. These include:

- Nursing
- Physiotherapy
- Occupational Therapy
- Speech Therapy
- Medical Social Work
- Nutrition Counselling
- Homemaking

The following organizations are eligible for funding, conditional upon them complying with the Ministry's established policies and procedures:

- Local Boards of Health
- Local Branches of the Victorian Order of Nurses
- Local Hospital Boards
- Home Care Program of Metro Toronto
- Health & Social Services Committee Regional Municipality of Waterloo

The program is 100% funded by the Ministry of Health

Integrated Homemaker Program
(New in 1986, currently under review)

The provision of homemaker services to frail elderly or disabled adults who require assistance with normal activities of daily living, is to permit them to remain in their own homes.

Services are provided through local Home Care Programs, which are in turn sponsored by municipalities, not-for-profit organizations or private companies. The local Home Care Program must follow the established policies of the Ministries of Health and Community and Social Services.

The program is 100% funded by the Ministry of Community and Social Services. Community health programs such as Homecare and Integrated Homemaker are currently 100% funded by the provincial government. AMO is of the view that this support should continue, but that the province's cost estimates and guidelines for the various programs be reviewed and updated. Ontario's changing demographic pattern means that on one hand there is a larger client group for these services, and on the other, inadequate resources to provide them. In fact, the current low wage scale for community health support positions contributes to rapid staff turn-over and difficult recruitment. To remain effective in the face of increasing demand, therefore, the programs should be re-assessed and if necessary, reinforced.

Recommendation 4

> The Association recommends that the provincial government continue to fully fund community health programs, and that it examine the actual costs of services provided, in order that said programs continue to fulfil their purposes.

C. CAPITAL ASSISTANCE TO HOSPITALS

Hospitals are classified as general hospital, general rehabilitation hospitals for chronic patients, active treatment teaching psychiatric hospitals, active treatment hospitals for alcoholism and drug addition and rehabilitation hospitals.

The Provincial and Federal governments currently fund teaching hospitals and research facilities. (Regulation 562 of the Public Hospitals Act) The federal contribution is through the federal-provincial transfer payment system, Established Program Financing (EPF). Also the Provincial government funds the approved capital costs of regional rehabilitation hospitals or that part of a hospital which provides special facilities for medical rehabilitation. Examples are hospitals for the treatment of drug addition and alcoholism.

Local contributions, including municipal financial support are required for community hospital construction in Ontario. The Provincial government (incorporating the federal transfer) provides grants not exceeding either 2/3 or 5/6 of the approved cost of construction or renovation to community hospitals. The 5/6 of approved costs is provided to hospitals located in northern municipalities with a population of not more than 12,000 in a territorial district or to municipalities in a provisional county. One-third of the cost of construction from surplus funds or "profit" from the operation of the hospital.

As a result of the cutbacks in provincial and private grants, some municipalities have approved tax-base support for hospital expansion, including North York, Guelph and Sudbury. Other arrangements include entering into agreement with the hospital whereby

the hospital debentures the cost and the municipality guarantees payment of an annual grant to cover the costs of debenturing. Some municipalities include that portion of the capital construction cost attributed to growth in their lot levy calculations in order to relieve the burden on the existing tax base. Other municipalities simply cannot afford to finance hospitals because the money is needed to pay for the municipality's own capital projects. When hospitals are constructed or expanded, this one-third is usually financed, in part or in whole, by some form of grant from the local municipality.

Adequacy/Grant Structure

As noted earlier one-third of the capital costs for hospitals must be financed "locally". This is usually done by community fund-raising plus a significant contribution from the local municipality.

Over the past few years, municipalities have expressed their concerns with the growing reliance beyond the 1/3 local contribution. The one-third portion represents increasingly large dollar amounts. In many instances the Ministry of Health has reduced its capital financing portion to 50 percent or less. The main opposition to municipal capital hospital funding is based on the revenue sources of the provincial and municipal governments. It appears that due to already excessive health care expenditures, the provincial government is attempting to shift some of the traditional provincial funding obligations to the municipal property tax base.

According to "Economic Outlook the Fiscal Review: 1988" of the Ministry of Treasury and Economics, provincial government spending for hospital operations has more than doubled in the past ten years. Expenditures for hospital operations increased at an average of 11 percent yearly from 1978-79 to 1988-89.

On December 12, 1988 the Treasurer of Ontario announced a 8.1 percent increase in operations for hospitals for 1989-90. As well, the Minister of Health has entered into discussions with the Ontario Hospital Association to develop new funding arrangements for hospitals. Therefore the Association's comments on the hospital capital funding are not restricted to the status quo, but also offer suggestions regarding any further move to use the revenue sources of the municipal level of government.

Municipal Funding for Capital Hospital Expenditures, 1987
Expenditures, 1987

(169 hospitals surveyed)

16 hospitals:	$7.3 million	Building Expansion
7 hospitals:	$1.4 million	Building Renewal
13 hospitals:	$2.5 million	New Equipment
13 hospitals:	$ .5 million	Annual Grant

Recommendation 5

> The Association recommends that the Capital Assistance Program be amended to reflect that capital construction and equipment for hospitals, including community hospitals, teaching hospitals and rehabilitation and treatment centres, be 100 percent funded by the Provincial government.

It is well recognized that institutional health care is the responsibility of the federal and provincial levels of government. Therefore, it is inappropriate to anticipate that municipalities should continue to fund this basic level of service from its more limited tax base.

The Association is aware that traditional health and post-secondary education has been funded by federal-provincial fiscal arrangements, Establish Program Financing. The recent federal legislation Bill C-96, an act to amend the Federal-Provincial Fiscal Arrangements, Post-Secondary Education and Health Contributions Act 1977 of June 1986 reduced the annual growth of federal transfers. Consequently, federal support for Ontario health an post secondary education programs has been reduced from 52 percent or provincial-local spending in 1970-80 to 40 percent in 1988-89. (Economic and Fiscal Review: 1988). The Association has deduced that the financial constraints of the hospital capital program is a reflection of the reduction in federal-provincial transfer payments. However, AMO strongly states that the short-fall should not be passed through to the municipal level of government, which has an even more restricted financial base.

Payments-in-Lieu

Operating costs are provided by the Provincial government. Ontario expends a total of more than $5 billion on almost half the Ministry of Health's total expenditures on health care, for hospital operating budgets. Each year, hospitals receive a global budget increase - an across-the-board percentage.

While municipalities do not pay directly to the operation of hospitals, there is an indirect payment in the form of services provided to the hospital. The Province provides a special tax levy to municipalities for hospitals within the municipality's boundaries to alleviate part of the burden on the municipality which cannot take these institutions. At present, the rate or reimbursement from the province for property tax exempt properties is $75 times the number of beds in the hospital. Prior to 1986, the level of reimbursement was $50 times the number of beds in the hospital. That number had not been updated since 1973, and certainly did not keep pace with the rate of inflation. The Association's comments on payments-in-lieu of taxes are contained in the Ministry of Municipal Affairs chapter of this document.

D. AMBULANCE SERVICES

The provincial government provides financial support for operating ambulance services. Eligible recipients include a variety of operators, all of whom must comply with established Ministry conditions and procedures. The following is a breakdown of the current 176 operators in Ontario.

• Hospitals	66
• Private (Licensed)	65
• Volunteers	29
• Ministry of Health	9
• Municipalities	4
• Service Contracts	3

The program is funded up to 100% of approved costs by the Ministry of Health.

Recommendation 6

The Association recommends, in view of the necessity of universal access to ambulance services, that the provincial government fully fund this service; and thus ensure an adequate level of service across the province.

MINISTRY OF HOUSING

SUMMARY

The Association has reaffirmed its view that the provincial level of government is primarily responsible for the provision of housing. There is an intergovernmental partnership in the sharing of this responsibility with municipal government, in the planning and development processes.

The grant programs of the Ministry were reviewed in the above context and therefore the Association is not recommending wide-spread reform in this area.

Housing programs related to planning, development and building approvals would remain as conditional cost-shared grant programs.

Housing rehabilitation programs (i.e. OHRP, the Low Rise Rehabilitation Program) would continue in their present form as completed provincially funded programs administered by municipalities.

Social housing programs (i.e. non-profit housing) should be significantly enhanced to meet the governments' own objective of providing increased access to "affordable" housing. As social housing is currently recognized as a provincial responsibility and funded by the "senior" levels of government, AMO has recommended the status quo for the method of funding and delivery of social housing.

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OVERVIEW

The Ministry of Housing is responsible for developing policies to ensure a supply of housing in the Province. It administers the rent control system, oversees building standards and, through the Ontario Housing Corporation and non-profit housing corporations, provides rent-geared-to-income housing for low and moderate-income households. In 1986-87, the Ministry of Housing accounted for $202 million, or 0.63%, of the province's total budgetary expenditures. Housing expenditures are estimated to increase to $252 million in 1987-88 and to increase by another 33% in the 1988-89 budget plan. In 1987-88, the Ministry employed 1,258 staff, or 1.4% of the total public service staff.

In its draft Policy Statement on Housing, the provincial government clearly stated its housing objectives:

- To provide access to housing for all types of households in all parts of Ontario.
- To provide for housing that is affordable to the households of Ontario.
- To increase the supply/availability of housing throughout Ontario.
- To ensure that the housing available is adequate and appropriate to the needs of households in Ontario.

The provincial government has further stated that "all planning jurisdictions, including municipalities and planning boards, share in the responsibility of fulfilling the objectives of this policy."

In the area of housing, a stable financial base is required to enhance intergovernmental roles and responsibilities and to facilitate the provision of housing to Ontario's citizens. Prior to proceeding, the definition of "housing" requires clarification. In its analysis, the Association has reviewed the existing conditional grants of the Ministry, most of which have the objective of providing housing "assistance" either directly through the non-profit program or rent supplement program. Some programs have the intent of providing incentives to municipalities to encourage the development of particular housing forms.

It is necessary to clearly identify, before proceeding to the analysis and recommendations of this chapter, the respective roles of the province and municipal government in the field of housing programs.

The Association firmly believes that the provincial government is the level of government primarily responsible for the provision of housing. Municipal government shares this responsibility through their planning and development processes.

Broader programs, such as assisted or social housing initiatives, are clearly a responsibility of the provincial government. The increased mobility of the work force, regional disparities, and even immigration policies have raised this issue beyond the local level. In addition, many housing programs are essentially income redistribution programs, which is clearly a mandate of the senior levels of government. The provincial government has also declared its interest in housing matters through its mandate for rent review, the enactment of legislation such as the Rental Housing Protection Act, and through various other affordable housing initiatives.

Before examining the individual program areas offered by the Ministry of Housing, it is appropriate to briefly review the housing situation in the Province of Ontario.

THE HOUSING SITUATION IN ONTARIO

The supply of housing in Ontario has become an increasingly difficult and debated issue in recent years, particularly in the Metropolitan Toronto area. The media reports almost daily on the lack of affordable housing, the low rental vacancy rate and disputes between landlords and tenants. The Ministries of Municipal Affairs and Housing recently jointly issued a draft Policy Statement on Housing which aims to have municipalities plan for a mix of housing in their communities which will include at least 25% "affordable" housing. The Ministry of Housing seems to be placing an increasing emphasis on municipal participation in housing initiatives.

Housing transfer payments to municipalities have shown dramatic increases in the last few years, particularly in the discretionary and special incentive areas. An increasing portion of the Ministry of Housing's budget is being devoted to housing transfers to municipalities -- 3% in 1985-86, 7% in 1986-87, and 14% in 1987-88 (not including the Ontario Housing Corporation).

A number of indicators suggest that despite increasing levels of transfer payments to municipalities, the housing situation in the province is still severe. Barometers of the housing crisis, such as waiting lists for assisted housing, the vacancy rate, and various affordability indicators show a deteriorating housing problem. Despite the government's increasing financial commitment to housing, these indicators have not been improving, and in some cases they have worsened.

There are currently 27,000 households on the Ontario Housing Corporation waiting list. This figure is up over December 1986 when there were 24,500 households on the waiting list. The waiting lists do not include those individuals on waiting lists with other housing providers or those that simply aren't on any waiting list. Waiting lists will also be growing as a result of the Minister of Housing's announcement of January 23, 1988 that eligibility for social housing will be expanded to include low-income singles, childless couples and empty-nesters, and that the one-year residency requirement will no longer apply.
Despite the reforms to rent review, vacancy rates in Ontario's urban centres have remained extremely low, as shown in Table 1 on the next page. Furthermore, the units that are available are all at the upper end of the price scale.

With respect to housing affordability, according to the Economic Outlook and Fiscal Review of the Ministry of Treasury and Economics, average resale housing prices in Ontario increased by 25% in 1986 and by an additional 24% over the first three quarters of 1987. During the current housing boom, carrying costs as a percentage of gross family income have risen substantially from 20.6% in 1985 to an estimated 25.9% in 1987. In terms of down payments, the minimum outlay for purchasing a home in Ontario has risen from 51.6% of average family income in 1985 to an estimated 69.7% in 1987.

TABLE 1
VACANCY RATES IN APARTMENT STRUCTURES OF SIX UNITS AND OVER

Census Metropolitan Area	1986 April	1986 Oct.	1987 April	1987 Oct.
Hamilton	0.5	0.3	0.3	0.3
Kitchener	0.4	0.2	0.4	0.2
London	0.5	0.7	1.0	1.0
Oshawa	0.2	0.2	0.1	0.3
Ottawa	1.5	1.9	2.1	1.6
St. Catharines	0.7	0.8	1.0	0.5
Sudbury	1.0	0.9	1.1	1.0
Thunder Bay	1.1	2.4	3.1	2.1
Toronto	0.3	0.1	0.1	0.1
Windsor	0.5	1.0	1.1	0.7
ONTARIO	0.6	0.6	0.6	0.5

Source: CMHC Rental Market Survey (24 centres)

The current framework of housing grant programs to address these problems is characterized by a large number of small demonstration projects, a complement of programs which municipalities administer for the Ministry of Housing, and the non-profit and Ontario Housing Corporation programs. In this analysis, the conditional grants were grouped into three major program areas:

A. Planning, Development and Building Approvals
B. Housing Rehabilitation
C. Social Housing

In its examination of the Ministry of Housing grant programs, the Association has identified new options which would clarify intergovernmental roles and responsibilities, enhance municipal decision-making in areas within the direct jurisdiction of municipal government and encourage streamlining for efficient use of finances.

A. PLANNING, DEVELOPMENT AND BUILDING APPROVALS PROGRAMS

The Ministry of Housing offers five programs which address the planning, development and building approvals areas.

1. Municipal Housing Statement Program

Originally started in 1974, this program offers study grants and/or technical assistance to help a municipality prepare or update its housing statement. The maximum grant is based on population as follows:

Municipality	New Statement	Update
Regional municipalities	$30,000	$20,000 (after 1 yr.)
Municipalities over 100,000	$25,000	$20,000 (after 1 yr.)
Municipalities of 50,000-100,000	$18,500	$15,000 (after 3 yrs)
Municipalities of 30,000- 50,000	$12,500	$10,000 (after 3 yrs)
Municipalities of 10,000- 30,000	$10,000	$ 7,500 (after 3 yrs)

A municipality with a population of less than 10,000 may either apply for funding of up to $7,500 or request the Ministry to carry out a study on its behalf. Update assistance would be $5,000 every five years. The grants under this program usually make up 50-65% of the cost of studies. Over the last three years, an average of 35 municipalities have prepared or updated housing statements. Provincial expenditures have averaged $200,000 annually. Approximately 200 municipalities have housing statements.

2. Seniors Retirement Communities

Under this demonstration project, the Ministry of Housing offers grants to municipalities to encourage them to work actively to accelerate and streamline the approval process of planned retirement communities. The grant is $2,000 for each retirement unit, leased or sold. The grant can be used by the municipality to cover costs associated with the impact that the retirement community may have on physical and social services, such as sewer and water, fire protection, health care and visiting homemakers; or the municipality may choose other uses for the grant.

Approximately ten municipalities will receive an estimated $500,000 under this program in 1987-88.

3. Starter Homes

Under this program, the Ministry of Housing offers modest financial incentives to municipalities which alter their development standards to facilitate the production of starter homes. The Ministry offers $2,500 for each unit produced. A total of 1,000 units will qualify for the incentive grants.

4. Building Action Program

Under this program, the Ministry of Housing offers financial assistance to municipalities to streamline and refine the administration of the building permit application and inspection process, building records management, property standards enforcement and service to the building public. All Ontario municipalities are eligible to apply for funding, which is limited to 50% of the cost of the building administration project or $10,000, whichever is less.

Fifteen municipalities participated in Building Action in 1986-87 and received $200,000 in assistance.

5. Municipal Building Profile Program (MBPP)

Under this program, the Ministry of Housing provides grants to municipalities to develop automated information systems that define the characteristics of their rental housing by age, type, use, density and location. Grants of 100% up to $20,000 are available to municipalities in which rental stock makes up at least 35% of their total housing. Municipalities submit project proposals to the Ministry and grants are awarded to eligible municipalities on a first-come first served basis.

In 1986-87, eight municipalities received $72,000 under the program. In 1987-88, 18 municipalities received an estimated $200,000 under the program.

FUNDING

Financial assistance offered under these programs is outlined in Table 2 on the next page. In 1987-88, the Ministry estimates it will spend $1.1 million on these programs, an increase of 128% over 1986-87 levels.

Table 2

Provincial Transfers for Planning, Development and Building Approvals Programs ($000s)

	1985-86	1986-87	1987-88 Estimate
Municipal Housing Statement	200	210	200
Seniors Retirement Communities	0	0	500
Starter Homes *	0	0	0
Building Action Program	0	200	200
Municipal Building Profile Program	0	72	200
TOTAL	200	482	1,100

* Budget for 1988-89 is estimated at $2.2 million.
* Sourse: Ministry of Housing

ANALYSIS

In terms of structure, there is a range of options for reforming the housing grants framework such as block funding, total deconditionalization of grants, retaining the status quo, or consolidating and streamlining the existing system. In view of the fact that housing problems and solutions vary so dramatically from municipality to municipality and region to region, the block funding and total deconditionalization options appear to be rather impractical. There are, however, some obvious problems with the current grants structure.

The Building Action Program and the Municipal Building Profile Program both require a municipal contribution, which is appropriate in view of the municipal responsibility for the building approvals and inspection process. Those programs with the prime objective of facilitating the municipal planning process should be funded from the municipal revenue base. Presently these programs provide "incentive" funding to municipalities for the development of automated information systems for housing stock and for the development of streamlined building permit application processes, inspections, etc. Although the building approval process is a traditional municipal responsibility, streamlining to facilitate the housing development process is a stated provincial priority. Therefore, it is logical that some incentive funding be utilized to complement the provincial government's policy decision and this initiative be cost-shared.

Municipal Housing Statements are required by municipal non-profit housing corporations in the provision of social housing. The Association acknowledges that the housing data derived from the Municipal Housing Statement program is an essential component of the municipal planning function. However, the provision of social housing is an issue which

goes far beyond the mandate of municipalities and is more properly a provincial responsibility. Therefore, any initiatives to provide social housing should be funded provincially.

While housing is a provincial responsibility, development standards are clearly a municipal responsibility. Programs such as Seniors Retirement Communities and Starter Homes encourage municipalities to reduce development standards to produce a more "affordable" product. The Seniors Retirement projects provided financial assistance of $2,000 per unit for services for retirement populations. Programs which attempt to influence the decision as to what gets built and how it gets built infringe upon local autonomy. Furthermore, the data illustrates that the municipal sector has been reluctant to participate in these programs. As a matter of principle, the Association believes that decisions regarding development standards should remain local decision and that the grant structure should not affect the decision-making process.

RECOMMENDATIONS FOR REFORM

Recommendation 1

The Association recommends retaining the Building Action Program and the Municipal Building Profile Program as a cost-shared program.

Recommendation 2

The Association recommends that the Municipal Housing Statement Program, which is presently a cost-shared conditional grant program with 50-65% provincial funding, be restructured as a conditional grant with 100 percent funding from the provincial government.

Recommendation 3

AMO recommends that the Seniors Retirement Communities and the Starter Home programs be discontinued.

B. HOUSING REHABILITATION PROGRAMS

CURRENT PROGRAMS

The Ministry of Housing offers a number of programs aimed specifically at rehabilitating the existing stock of housing.

1. Ontario Home Renewal Program (OHRP)

Under this program, the Ministry of Housing provides funds to municipalities which in turn make loans to homeowners to bring their properties up to minimum standards. Over 700 municipalities administer the program on a fee for service basis as follows:

Municipality	Fee for Service (% of approved loan)
Less than 10,000 population	10%
Population of 10,000-99,999	8%
Population over 100,000	6%

Provincial funding averaged $20 million per year between 1974 and 1983. In 1983 funding was temporarily terminated. During 1986-87, a redistribution exercise saw over $10 million moving amongst municipalities, however no new provincial money was added. In 1987-88 the provincial government committed $12 million over three years to the program.

2. Ontario Home Renewal Program-Disabled (OHRP-D)

Under this program, the Ministry of Housing assists homeowners with the cost of undertaking modifications that make homes more accessible inside and out. The program offers homeowners interest-free loans equal to the value of the work undertaken, up to $15,000. The program is delivered either by municipalities on behalf of the Ministry or by the Ministry Regional Offices.

Initial funding for this new program is approximately $7.5 million with 134 municipalities participating. Municipalities receive an administration fee of $750 per final application pro-rated.

3. Low-Rise Rehabilitation Program

Under this program, the Ministry of Housing, through municipal delivery agents, provides landlords with forgivable loans of up to $5,000 per unit to help them upgrade their buildings. In order for a municipality to participate in the program, it must have a property standards by-law in place as well as relevant experience administering housing rehabilitation programs. Municipalities administer the program on a fee for service basis of $600 per application plus $[illegible]0 per unit. There are currently 130 municipalities delivering this program.

FUNDING

Table 3 summarizes the level of financial assistance available under housing rehabilitation programs. The Ministry's funding of these programs has varied dramatically in recent years. The Ministry of shows revewed interest in this area, provinding $26 million in 1987-88.

Table 3

Provincial Transfers for Housing Rehabilitation Programs

($000s)

1987-88	1985-86	1986-87	Estimate
Ontario Home Renewal Program	0	0	4,000
Ontario Home Renewal Program -- Disabled	0	0	1,500
Low-Rise Rehabilitation Program	0	3,144	20,500
TOTAL	**0**	**3,144**	**26,000**

* **Source: Ministry of Housing**

ANALYSIS

Funding for housing rehabilitation programs has been sporadic over recent years. Table 3 shows the increased funding expected to be available in 1987-88 to be 727% higher than funding in 1986-87. The increased funding levels likely indicate the realization of the government that rehabilitation is a vital means of maintaining the existing stock of housing.

The present arrangement of roles and responsibility for housing rehabilitation programs between the province and municipalities is satisfactory. Currently, the Ontario Home Renewal Program, the Ontario Home Renewal Program-Disabled and the Low-Rise Rehabilitation Program are 100 percent funded by the province. Municipalities act as delivery agent for these programs on a fee for service basis.

RECOMMENDATIONS FOR REFORM

Recommendation 4

The Association recommends the continuation of the Ontario Home Renewal Program, the Ontario Home Renewal Program-Disabled and the Low-Rise Rehabilitation Program in their present forms.

C. SOCIAL HOUSING PROGRAMS

CURRENT PROGRAMS

There are four grant programs which address the affordability issue by encouraging more social housing.

1. **Development Assistance for Social Housing (DASH)**

Under the DASH program (formerly the Incentive Loan and Grant Program), the Ministry of Housing assists first-time municipal, private and co-operative non-profit housing producers in developing non-profit housing projects.

Funding is in the form of an initial grant of up to $1,000 to explore the feasibility of starting a project and to organize the corporation. The corporation can then be eligible for an interest free development loan to cover technical and organizational expenses incurred until the first mortgage draw.

DASH funding of approximately $10 million was provided to 169 delivery agents in 1986-87 and 200 in 1987-88. Of these, one-third to 40% were municipal non-profits corporations.

2. **Payments-in-Lieu (OHC)**

The Ontario Housing Corporation provides rent-geared-to-income housing for qualified lower-income families, seniors, etc. OHC pays taxes on its property as a payment-in-lieu which is equivalent to the taxes owing. Approximately $75,000,000 has been paid to 280 municipalities in each of the last three years.

3. **Home Sharing**

Under this program, the Ministry of Housing funds municipal match and share programs primarily for senior citizens. Municipalities wishing to share the cost of counselling services may apply for grants of up to $20,000 per year for two years, to cover up to 50% of the operating costs.

In 1986-87, fifteen municipalities received $153,000. In 1987-88, 25 municipalities received an estimated $200,000.

4. **Non-Profit Housing Program**

The Non-Profit Housing Program is a federal/provincial initiative aimed at helping non-profit housing agencies to produce modest, cost-efficient housing for persons with low to moderate incomes. The Ontario government also unilaterally funds a number of non-profit housing units.

FUNDING

A financial summary of funding available under the Ministry's social housing programs is given in Table 4 on the next page. Payments n lieu to OHC comprise 76% of Ministry funding in 1987-88. Funding for social housing is growing and is expected to increase to $107.4 millon in 1987-88, an increase of 14% over the previous year.

Table 4

Provincial Transfers for Social Housing Programs

($000s)

1987-88	1985-86	1986-87	Estimate
Development Assistance for Social Housing *	1,098	9,470	12,100
Payments-in-Lieu (OHC)	72,947	77,269	82,096
Home Sharing	0	153	200
Non-Profit Housing Program	5,000	7,000	13,000
TOTAL	**79,045**	**93,892**	**107,396**
TOTAL Less OHC	6,098	16,623	25,300

* **One-third to 40% of delivery agents are municipal non-profit corporations.**
* **Source: Ministry of Housing**

ANALYSIS

Social housing is a provincial responsibility since they are essentially a form of income redistribution, which is a mandate of senior levels of government. Programs with the principal objective of providing more "affordable" or socially assisted housing should be fully financed by means of a 100% provincial conditional grant or 100% provincial funding and an administrative cost recovery system.

A significant funding increase is required for social housing programs in order to ensure the objectives of the programs. The need for increased financial commitment is particularly great in light of the current realities facing all non-profit providers. In general terms, the Association would add a word of caution that the proliferation of housing programs is leading to some confusion and frustration at the local level.

The Association does not support the ability of the Ontario Housing Corporation to make payments-in-lieu in place of its share of municipal property taxes. This view is consistent with the Association's recommendations in its review of the grant programs of the Ministry of Municipal Affairs. The OHC payments-in-lieu practice erodes the property tax base. As such, the Association would suggest that the Ontario Housing Corporation pay taxes like any other property owner as opposed to making the equivalent payments-in-lieu. The Association makes this recommendation in full view of the fact that it may have a negative effect on those municipalities that have not been reassessed, however, the Association also encourages reassessment as a step towards full market value assessment.

The Home Sharing program is targeted to senior citizens and the disabled as an alternative form of community housing. Presently the cost-sharing is a 50-50 ratio (primarily for counselling services) to a maximum of $20,000. The Association supports the objective of assisting senior citizens in maintaining residence in their community. However, as a "social program" requiring complementary community support services, the costs should be assumed by the provincial government.

The Provincial government should also review the non-profit program with a view to ensuring that the program reflects the current realities facing all non-profit housing producers. Next to the Renterprise Program, the non-profit program represents the largest area of underexpenditure in terms of the Ministry of Housing's budget. Non-profit producers have identified a number of reasons that they have difficulty using up their allocations including:

- the high price of land
- unrealistic maximum unit prices
- Ministry approval processes
- municipal approval processes
- material shortages.

Outside of the problems related to the approval processes, it is clear that addressing the maximum unit price (MUP) problem would go a long way towards realizing the full potential of the non-profit program. Currently, the MUP is established by the Federal Government through the Canada Mortgage and Housing Corporation, in consultation with the provinces. Many providers feel the MUP is too low and prevents delivery of non-profit units. Recently, the Ministry of Housing announced an increase in the maximum unit price guidelines for the Metro Toronto area and has implemented a loan guarantee program which will assist non-profit producers in holding land while approvals are being gathered. The Association supports these and any other initiatives which will make the non-profit program more effective. The Association would stress, however, that the non-profit program should not be biased towards municipal non-profit housing producers.

RECOMMENDATIONS FOR REFORM

Recommendation 5

AMO recommends not only the continuation of, but the enhancement of the non-profit housing program as a fully funded provincial program.

Recommendation 6

The Association recommends that the Ontario Housing Corporation pay its full share of municipal property taxes rather than payments-in-lieu.

Recommendation 7

The Association recommends that the Home Sharing program of the Ministry of Housing become a conditional grant program 100 percent funded by the provincial government.

MINISTRY OF MUNICIPAL AFFAIRS

SUMMARY

The Ministry of Municipal Affairs provides conditional transfers to municipalities in three major areas, administrative support; community planning grants; and payments-in-lieu of taxes.

Although municipal services are a municipal resposibility, the programs supported by the Ministry under administrative support grants encourage provincial interest in such areas as education and French language services. Understood as an intergovernmental partnership therefore, the Association recommends that the various programs be maintained, and in some cases, expanded.

In regards to community planning grants, AMO recommends that they should be deconditionalized and that funds be delivered through an unconditional grant program. Community planning is a local matter and as such, resources allocated should be unconditional.

The Association's long-standing position on payments-in-lieu of taxes is that all levels of government should pay their full share of municipal taxes. This position is reiterated here.

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OVERVIEW

The Ministry of Municipal Affairs is seen by municipalities as the representative of municipal governments in the provincial government. It is responsible for local government and community planning. The Ministry offers management assistance, administrative support and financial assistance to Ontario's 839 municipalities.

In 1986-87, the Ministry of Municipal Affairs accounted for $856 million, or 2.7 percent, of total provincial expenditures. Its expenditures increased slightly to $904 million, or 2.6 percent in 1987-88. However, its share of total provincial expenditures is expected to drop slightly to 2.3 percent in the 1989-90 Budget Plan.

In 1977-78, the provincial government transferred through its unconditional grants program $402 million, or 27.6 percent, of a $1,456 million transfer payment budget to municipalities. In 1987-88, the unconditional transfer payment totalled $824 million, or 21.4 percent. of a $3,850 million transfer payment budget. Unconditional grant funds have, therefore, decreased as a proportion of the total transfer payment budget. The Association has not undertaken a comprehensive review in this study of the unconditional grant program, as it is the subject of on-going study by a joint Association/ Ministry of Municipal Affairs committee. However, AMO does offer some comments on unconditional grants at the end of this chapter.

This chapter focuses on three areas of conditional payments to municipalities:

A. Administrative Support Grant Programs
B. Community Planning Grants
C. Payments-in-lieu.

A. ADMINISTRATIVE SUPPORT GRANT PROGRAMS

CURRENT PROGRAMS

There are five conditional administrative support grants offered by the Ministry of Municipal Affairs to municipalities.

1. Involvement in Municipal Administration

Grants are available to all municipalities, municipal associations, district school area boards, and planning boards with populations under 50,000 to assist in developing quality future employees and in undertaking projects which might not otherwise be possible. The Ministry reimburses 75 percent of a student's salary to a maximum of $135 per week. The purpose of this program is to: provide college and university students who are enrolled in local government courses, greater awareness of municipal concerns and responsibilities; provide students with practical experience in their area of study; and, to develop future municipal managers in finance, general administration and planning.

In 1985-86, 271 municipalities received funding to employ 304 students through the Involvement in Municipal Administration Program. In 1986-87, the number of municipalities participating in the program decreased to 223 although the number of students assisted by the program had increased to 356.

While grants under this program are allocated on a first come, first serve basis, each municipality which applies for funding will be guaranteed funding for one student. Municipalities which request more than one student are put on a waiting list in the order of the time of their application. When each municipality has been granted one student and there is program money remaining, the Ministry allocates additional resources to municipalities which have requested additional funding until the funding which has been allocated the program is expended.

2. Ontario Municipal Training Program

Grants are available to all municipalities to assist in attracting, identifying and developing qualified candidates for senior management positions in finance, general administration and planning. The Ministry reimburses 50 percent of the salary and benefits provided to the trainee to a maximum of $7,500 in the first year of the contract and $5,000 in the second year. In addition, the Ministry provides 50 percent of the trainee's tuition associated with educational programs approved by the Ministry. The purpose of this program is to help

recent graduates of college and university courses in local government acquire a wide range of practical experience and develop skills necessary to move into senior management.

In 1985-86, 14 municipalities employed 14 students through the Ontario Municipal Training Program. In 1986-87, the number of participating municipalities increased to 40, employing 40 students.

Each municipality which applies for funding is eligible. The increase in the number of participating municipalities between 1985-86 and 1986-87 is due to a higher number of applications for funding.

3. Municipal Services in French

Grants are available to all municipalities to support and encourage the provision of municipal services in both English and French to the residents of a municipality where the provision of such services is deemed necessary or appropriate by council. For a five year period, the province will reimburse 50 percent of the municipality's costs to a maximum of $50,000 per year for eligible services. These services include: language instruction for members of council or staff; translation of public documents such as by-laws, tax bills and public notices; printing of bilingual documents; lease or rental of simultaneous translation services for council or special public meetings; and, preparation of bilingual signs for public lands, roads, or buildings.

In 1985-86, 33 municipalities received grants under the Municipal Services in French Program. In 1986-87, the number of participating municipalities had decreased to 17.

This program is a voluntary program for municipalities. Virtually all municipalities which apply for reimbursement under the program receive funding. Fluctuations in year to year allocation to municipalities are the result of the level involvement in French services in a municipality. Since the program has a five year cycle, municipalities tend to spend heavily in the first two years of the program and less in the last three years. This is reflected in the fluctuations in the annual grants paid to municipalities.

4. Shoreline Property Assistance Program

Provincial loans are available to property owners through municipalities to provide short-term assistance for the repair of shoreline properties damaged by flooding and erosion. The province, through the Ministry of Municipal Affairs, finances the loan by purchasing a debenture from the municipality with the same repayment terms (i.e. 8 percent over ten years). The maximum loan for shoreline repair or protection will be the lesser of 75 percent of the total cost or $500 per metre of shoreline, and for repairs, relocation, or raising of buildings or structures, the lesser of 75 percent of the total cost or $20,000.

In 1985-86, 17 municipalities participated in the Shoreline Property Protection Program providing loans to 85 borrowers. In 1986-87, the number of participating municipalities had increased to 72 providing funds to 514 borrowers. There are 214 municipalities with properties abutting the Great Lakes system and eligible to participate in this program.

In 1983-84 and 1984-85, the Shoreline Protection Program was not funded. Due to high water levels in 1985-86, the Program was reinstated. While the number of participating municipalities was low (17) in the high flood year, it must be remembered that there is a lag time from when a property owner applies to when a municipality issues a debenture. Loans issued to property owners in 1986-87 are therefore reflective of high water levels in 1985-86.

5. Municipal Employment Equity Program (new 1987-88)

The Municipal Employment Equity Program (MEEP) is sponsored by the Province of Ontario and is administered by the Ministry of Municipal Affairs. It is designed to assist municipalities develop an employment equity plan and to implement an employment equity program for all women employees of a municipality. The goal of the program is to increase the representation of women across all levels and occupations in each municipality. The program has four elements, each of which has provisions for financial assistance. It is anticipated that in 1987-88, the Ministry will provide grants of $163,000.

FUNDING

Table 1 shows transfers for the administrative support grant programs for 1985-86 and 1986-87. In terms of actual grants to municipalities for miscellaneous services, in the fiscal year 1985-86, the Ministry of Municipal Affairs transferred $1,149,676 to municipalities. In 1986-87 the province transferred $1,004,430 to municipalities.

Table 1

Administrative Support Grant Program Transfers
($)

PROGRAM	1985-86	1986-87	Percentage Change
Involvement in Municipal Administration	686,420	614,947	(10.4)
Ontario Municipal Training Program	163,356	234,780	43.7
Municipal Services in French	299,900	154,703	(48.4)
TOTAL	**1,149,676**	**1,004,430**	**(12.6)**

For the Shoreline Property Assistance Program, $642,200 was available for loan in 1985-86 and $4,289,000 was available for loan in 1986-87.

ANALYSIS

Municipal services are a municipal responsibility. The provincial government however, also believes that as a higher level of government, they have a responsibility to ensure that municipalities have the resources to deliver adequate services. Through their grant system, the province can encourage provincial interests in municipalities, such as municipal services in French at the municipal level. Consequently, the provision of municipal services in French can be viewed as an intergovernmental partnership.

It is suggested that the intent of the Municipal Administration Program is to assist municipalities in developing qualified future employees and to provide students with meaningful work experiences as part of the provincial government's program of employment and skills development. As well, the Ontario Municipal Training Program has an objective of providing recent graduates of colleges and universities with practical work experience. In this regard, the Association believes that the provision of these services are both provincial and municipal responsibilities.

In reference specifically to the Municipal Administration Program and the Ontario Municipal Training Program; currently both are oriented towards the financial and managerial departments within municipal governments. AMO would like to see the program expanded to cover all departments, i.e., recreation and public works.

RECOMMENDATIONS FOR REFORM

Recommendation 1

The Association recommends the retention and augmentation of the Municipal Administration Program and the Ontario Municipal Training Program.

Recommendation 2

The Association recommends the maintenance of the Municipal Services in French Program as a conditional grant program of the Ministry of Municipal Affairs.

Recommendation 3

The Association recommends that the Shoreline Property Assistance Loan Program be continued in its current format.

B. COMMUNITY PLANNING GRANTS

CURRENT PROGRAMS

The Ministry of Municipal Affairs provides four planning grants to municipalities.

1. Community Planning Grants

Grants are available to all municipalities to promote the effective operation of community planning; support the study and resolution of local planning issues; assist in the implementation of the Planning Act and; resolve issues in the application of matters of provincial interest to the municipal planning process. The Ministry of Municipal Affairs will contribute up to 50 percent of the approved costs and 100 percent of the costs incurred by unorganized territory. Generally municipalities are limited to one study per year with funding not exceeding $35,000 per year.

2. Commercial Area Improvement Program (CAIP)

Grants and loans are available to municipalities for municipal services, parking, aesthetic and economic improvements to the downtown and older commercial areas. The grant portion cannot exceed one-third of the total provincial contribution and the remaining two-thirds will consist of loans.

3. Ontario Neighbourhood Improvement Program (ONIP)

Grants are available to municipalities to assist in upgrading and improving local neighbourhoods. The cost sharing arrangement between the province and the municipality is at a ratio of 50:50 of total eligible project costs. Eligible costs include the repair and construction of community facilities such as clinics, day care centres, senior citizen centres, arenas, playgrounds, tot lots, neighbourhood parks, youth centres, community halls, libraries, street lighting, sewers, water lines, curbs, sidewalks, boulevards, roadwork, street signs and traffic signals.

4. Program for Renewal, Improvement, Development and Economic Revitalization (PRIDE)

In 1987-88, the Ministry expanded and combined the former Community Area Improvement Program (CAIP) and the Ontario Neighbourhood Improvement Program (ONIP) into the Program for Renewal, Improvement, Development and Economic Revitalization (PRIDE). This program provides municipalities with financial assistance for upgrading and improving older sections of their community. The program is, therefore, no longer limited to commercial and residential areas.

FUNDING

Table 2 shows the expenditures for 1985-86 and 1986-87 made for community planning grants. In terms of actual grants to municipalities for planning activities, in the fiscal year 1985-86, the Ministry of Municipal Affairs transferred $13,940,774 to municipalities. In the 1986-87 fiscal year, the province transferred $15,518,270 to municipalities.

Table 2

Community Planning Grant Transfers
($)

PROGRAM	1985-86	1986-87	Percentage Change
Community Planning Grant	1,533,150	2,020,270	31.8
Commercial Area Improvement Program (CAIP)	1,076,694	1,351,000	25.5
Ontario Neighbourhood Improvement Program (ONIP)	11,330,930	12,147,000	7.2
TOTAL	**13,940,774**	**15,518,270**	**11.3**

ANALYSIS

Planning is a municipal responsibility. The provincial government believes that it also has a responsibility to ensure that municipalities have the resources to deliver adequate services. The province, by providing planning grants can ensure that provincial interests are being achieved at the municipal level.

While planning grants have increased by 11.3 percent over this two year period, grant dollars have not changed substantially. Rather, increases reflect cash flow differences year to year as money allocated in any one year is the sum of the current year's and previous year's commitments. Increases in grants therefore do not necessarily represent real increases in grant dollars.

The Ministry of Municipal Affairs receives more applications for funding than they can allocate due to budget restrictions. Every effort is made however, to assist as many municipalities as possible. The result is therefore that municipalities may not receive adequate funds to cover project costs.

RECOMMENDATIONS FOR REFORM

The Association concluded that community planning is a municipal responsibility. According to AMO's decision-making model, if the service is a municipal responsibility then the transfer payment for the service should be unconditional or eliminated.

Recommendation 4

> **The Association recommends that funds allocated under the community planning program, the commercial area revitalization program, the Ontario neighbourhood improvement program and the PRIDE program, be delivered through a new improved unconditional grant program.**

C. PAYMENTS-IN-LIEU OF TAXES

CURRENT PROGRAMS

Municipalities receive three types of payments-in-lieu of taxes from the provincial and federal governments.

1. Provincial Payments-in-lieu, Section 160 of the Municipal Act

Under Section 160 of the Municipal Act, councils of local municipalities may levy:

- $75 for each full-time student enrolled in a university or college
- $75 a year for each provincially rated bed in a public hospital or provincial mental health facility
- $75 a year for each provincially rated bed in a facility for the mentally retarded
- $75 per year for each place in provincial education institutions; and,
- $12.35 per hectare for each agricultural research station.

Payments are made to municipalities by Ministries which have jurisdiction over the program (i.e. the Ministry of Health provides payments-in-lieu with regard to hospital beds).

2. Provincial Payments-in-lieu, Real Property

Section 4 of the Provincial-Municipal Tax Assistance Act states that:

> The Ministry of Municipal Affairs, in respect of provincial property owned by the Crown in right of Ontario and not occupied by a Crown agency, may pay in each year to the municipality in which the property is situate the amount which the rate levied for general municipal purposes on the assessment for real property that is used as a basis for computing business assessment in that municipality would produce on the value of such provincial property.

In other words, the provincial government grants municipalities an amount equal to what would have been produced if the current year's total business mill rate levied for general municipal and upper tier purposes, excluding schools, was applied to the real property assessment, as determined by the Ministry of Revenue in the previous year.

Section 2 of the Act states however that nothing authorizes a municipality to levy taxes on provincial property or against the Crown in right of Ontario or any Crown agency.

Payments made under this section are generally provided by ministries which have jurisdiction of the property (i.e. the Ministry of Housing provides payments for Ontario Housing Corporation properties).

3. Federal Payments-in-Lieu

Section 3 of the Federal Municipal Grants Act, states that:

> The Minister may, on receipt of an application, make a grant out of the Consolidated Revenue Fund to a taxing authority:
>
> (a) in lieu of real property tax for a taxation year, and
> (b) lieu of a frontage or area tax (i.e. for financing the capital costs of constructing or upgrading municipal services such as roads, sewers and watermains) in respect of federal property situated within the area in which the taxing authority has the power to levy and collect the real property tax or the frontage or area tax.

Grants-in-lieu of property taxes are made on almost all real property occupied by the federal government and in most cases, are made on the valuation of federal properties on the assessment roll, times the taxing authority mill rate for municipal and school purposes.

RECOMMENDATIONS FOR REFORM

The Association has long stated that all levels of government should pay their full share of property and other municipal taxes. The following recommendation is in keeping with the principles of municipal autonomy and recognition of political accountability, that is legitimacy recognition of the self-reliance of local government institutions. Just as municipal government must pay its full share of retail sales tax, and other revenue generating taxes of the provincial government, so should the "senior" levels of government protect integrity of the municipal revenue base, the property tax system.

Recommendation 5

> **The Association recommends that the Federal and Provincial governments should bear their full share of property and other municipal taxes.**

THE UNCONDITIONAL GRANTS PROGRAM

The provincial government provides both unconditional and conditional grants to municipalities to ensure an adequate level of funding. The primary objective of the unconditional grants program is to ensure that municipalities have sufficient financial resources to provide services under their jurisdiction and to equalize relative tax revenue raising capacity. The two main advantages of the grants are that they help stabilize local property taxes and at the same time allow municipalities to set local spending priorities in accordance with local needs and preferences. Conditional grants, on the other hand, are provided to assist municipalities provide and maintain needed public services at a consistent standard or service level across the province. Conditional grants are also used to address unique situations which may arise.

Unconditional grants, unlike conditional grants, are applied against general operating costs. These grants are particularly important because they may act as direct substitutes for taxes depending on budgetary decisions of municipal councils.

The structure of the unconditional grants program as it exists today was introduced in 1973. The program consists of three per household grants (general, police and density), two levy based grants (general support and northern support), a resource equalization grant and a revenue guarantee. In addition special assistance payments may be made to municipalities at the discretion of the Minister of Municipal Affairs subject to conditions specified under section 5 of the Ontario Unconditional Grants Act. These include: a loss of revenue; increased expenditures due to unforeseen circumstances; annexations; and transfer of services. For further information on unconditional grants, please refer to Appendix A.

In the past, a sub-committee of the Association's Fiscal Policy Committee worked with the Ministry of Municipal Affairs in attempts at improving the unconditional grants structure. The provincial government has endorsed many of AMO's policy recommendations with regard to the unconditional grants structure such as: the inclusion of the General, Density and Police Per Household Grant in the definition of the levy base for General and Northern Support Grant purposes; removing the $3 per household cap from the Resource Equalization Grant; applying the Resource Equalization Grant formula directly to the upper tiers; and, the expansion of the equalization averaging procedure from three to five years.

The joint working group process was discontinued in 1989, by the Ministry of Municipal Affairs.

MINISTRY OF NATURAL RESOURCES

SUMMARY

Through the examination of the Conservation Authority grant program of the Ministry of Natural Resources, the Association believes that the supplementary grant process should be eliminated and a new system of regular grants rates be established in order to simplify and add consistency to the existing regular grants system for Conservation Authorities.

With regard to the variety of other grant programs provided by the Ministry of Natural Resources, the Association provides a variety of recommendations concerning funding and provincial/municipal responsibility. For the majority of existing grants, AMO recommends that they be continued in the current format. Other grant programs such as the Ontario Basic Mapping Program and the Surveys, Coordinate Control Program are currently under funded and as such the Association is requesting that the Ministry make necessary funding available to meet municipal demand.

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OVERVIEW

The Ministry of Natural Resources (MNR) oversees Ontario's physical resources and their development. Through an extensive network of field offices, the MNR also administers public lands and waters in the Province. In 1986-87, the MNR accounted for $466 million, or 1.5%, of total budgetary expenditures of the province. This level of expenditures represented an increase of 17% over 1985-86 expenditure outflows of $397 million. With over 7,200 employees in 1986-87, the Ministry is the fourth largest provincial employer.

The Ministry offers a number of grant programs to municipalities, addressing such areas as access roads, parks, fire assistance and mapping services. Transfer payments to municipalities and Conservation Authorities represent approximately 8% of the Ministry's budget. Over 95% of MNR transfer payments are dedicated solely to conservation authorities. Therefore, the analysis of this chapter is divided into two major program areas:

A. Conservation Authorities
B. Miscellaneous MNR Grant Programs

A. CONSERVATION AUTHORITIES

CURRENT PROGRAM

Under Section 40 of the Conservation Authorities Act, the Minister of Natural Resources makes grants available to conservation authorities for their operation as well as for water control studies, water control structures, flood risk mapping and conservation education. In addition, supplementary grants of 5 per cent to 30 per cent are provided for the administration and water management programs. Table 1 on the following page outlines the grant rate and supplementary rates for different categories of conservation authority expenditure.

The rate of supplementary grants for each conservation authority is calculated using the following formula:

$$2.14 \times \frac{\text{total eligible expenditure}}{\text{discounted equalized assessment}} \times \frac{\text{area}}{\text{suplementary population}} = \text{grant rate}$$

Historically, supplementary grants have been provided to the conservation authorities with mainly rural participating municipalities (ie. large area with low population density and significant total expenditures with a low assessment base). The intent of the supplementary grants is to provide a higher level of assistance to the more rural conservation authorities where the availability of local financial resources was a limiting factor.

Table 1

Rates for Conservation Authorities Grant Funding

CATEGORY	GRANT RATE	SUPPLEMENTARY
• Administration	50%	5-30%
• Water and Related	55%	5-30%
- Program Administration		
- Flood Control		
- Major Maintenance on Works		
- Surveys & Studies		
- Flood Warning & Forecasting		
- Flood Plain Mapping		
- Capital (Construction & Acquisition)		
- Erosion Control		
- Major Maintenance on Works		
- Surveys & Studies		
- Capital (Construction & Acquisition)		
- Recharge/Discharge Areas		
• Conservation and Recreation	50%	NIL
- Program Administration		
- Land Acquisition		
- Conservation Area Development		
- Promotion of Conservation Areas		
• Other		
- Conservation Area Maintenance	NIL	NIL
- Flood Damage Reduction Program	90%	NIL
- Experience Program	100%	NIL

* Source: Ministry of Natural Resources

FUNDING

Conservation Authorities account for over 95% of the Ministry of Natural Resources' transfer payments. Currently, the Provincial government contributes approximately 40% of conservation authorities budget on average. The constituent municipalities in any given authority contribute the remainder. Individual municipal contributions are relatively small since there are 38 Conservation Authorities which receive payments from 494 municipalities.

Table 2 outlines total transfers to conservation authorities by the MNR.

Table 2

MNR Transfers to Conservation Authorities

Fiscal Year	Transfers	Percent Increase
85-86	$36,900,000	
86-87	$39,696,000	7.6
87-88	$42,050,000	5.9
88-89	$42,922,600	2.1

Source: Ministry of Natural Resources

ANALYSIS

In terms of grants analysis, conservation authorities differ from other types of municipal grants in that transfer payments are made to the Conservation Authority, not to the municipality. In addition, the municipal contribution to conservation authorities is divided among the many constituent members of the authority.

Conservation authorities were created to achieve both provincial and municipal objectives, such as flood control, soil conservation, reforestation and improvements to the habitat of fish and wildlife. As such, conservation authorities are viewed as the shared responsibility of the Province and municipalities.

In 1988, an Interministerial Committee appointed by the Provincial Cabinet released a review of the current Conservation authorities program. Among other items the Committee reviewed the current and future grant rates for conservation authorities and the levels of transfer payments that would be required to adequately fund Conservation Authorities.

With regard to the structure of funding for Conservation Authorities the Interministerial Committee stated that:

Supplementary Grants should be eliminated and regular grants of 40%, 50% or 70% should be provided for all programs of a Conservation Authority. The applicable grant rate for each conservation authority would be a fraction of the total assessment and population in its water shed(s).

In its response, AMO expressed general support for the elimination of supplementary grants and the proposed establishment of three levels of regular grants rates based on total watershed assessment and population, on the basis that it will serve to simplify and add consistency to the existing grant structure.

The Association also recognized that the general impact of the formula will benefit the smaller authorities, particularly those located in Northern and Eastern Ontario. The Association believes that the financial impacts on larger Conservation Authorities will be quite onerous and as such is the concerned with the increasing dependance on the property tax base for conservation authority funding. The Association suggested that any formula restructuring should be phased in over a two to three year period so as to lessen negative impacts on particular authorities.

While not in a position to comment on the precise percentages which were selected, the Association had a general concern that the percentages which were ultimately selected by the Interministerial Committee, i.e. 40%, 50% and 70%, appear to have been somewhat arbitrarily selected.

The Association believes that continued cost-sharing via a conditional grants model is appropriate in view of the shared responsibility. AMO is concerned that the overall level of funding is inadequate to meet demands. The Ministry of Natural Resources acknowledges that requests for funding are 2-3 times the above approved expenditures. In addition, the rate of increase in Ministry transfers to Conservation Authorities as shown in Table 2 is decreasing and in 1987-88 does not even keep pace with inflation.

RECOMMENDATIONS FOR REFORM

Recommendation 1

The Association recommends that the supplementary grants for Conservation Authorities be eliminated and a new system of regular grant rates be established based on total watershed, assessment and population, on the basis that it will serve to simplify and add consistency to the existing grant structure.

The Association further recommends that any restructuring of the grant formulas to Conservation Authorities be phased in over a two to three year period so as to lessen negative impacts on particular authorities.

Recommendation 2

The Association recommends therefore that overall funding for Conservation Authority purposes be increased to at least the level of inflation.

B. MISCELLANEOUS MNR GRANT PROGRAMS

CURRENT PROGRAMS

There are 7 categories of grants available from the Ministry of Natural Resources (MNR) which are described below.

1. **Access Roads to Provincial Parks**

Under the Access Roads to Provincial Parks Program, assistance is provided towards the construction, reconstruction or maintenance of a road under the jurisdiction and control of a municipality, for the purpose of providing access to a provincial park. Financial assistance is determined by agreement with the Minister of Natural Resources.

2. **Parks Assistance**

Under the Parks Assistance Act, municipalities are eligible for assistance towards the acquisition of land for an approved park, the planning and development of an approved park and the conversion of a provincial or public park into an approved park, i.e., those which provide camping and/or involve the development of a natural acquisition and development to a maximum of $100,000, with acquisition capped at $25,000. Municipalities may be able to access funds from other Ministries for these undertakings.

As of 1988-89, the Parks Assistance Program will be administered through the Ministry of Tourism and Recreation.

3. **Fires on Crown Lands/Fire in Fire Regions**

The Ministry of Natural Resources currently administers three types of agreements for firefighting services in Northern Ontario as outlined in Table 3. The agreements vary in how firefighting services are funded.

Type A agreements have been in existence the longest. Under a Type A agreement, the Ministry of Natural Resources shares fire suppression costs on a 50/50 basis. However, if the fire originates on Crown land, the Ministry reimburses the municipality 100%. In addition, municipal expenditures are limited to 3% of the total tax levy.

Table 3

Number and Type of Firefighting Services Agreements

Type	No. of Agreements	No. of Townships
A	157	223
B	20	70
C	43	121
	220	414

Under Type B agreements, the MNR provides firefighting services for which the municipality pays an annual fee per acre for protection of certain private lands and certain firefighting costs.

Under Type C agreements, the MNR defines municipal and Crown protection areas. When either party provides firefighting services in the other's protection area, they are reimbursed 5 cents per acre. For example, if a fire originates on Crown land within a municipal protection area, the Ministry of Natural Resources would pay 5 cents per acre to the municipality.

It should be noted that the Ministry is currently attempting to phase out all of the older agreements (Type A and B) and replace them with Type C agreements.

4. Surveys, Coordinate Control

Under this program, municipalities may enter into agreements with the Ministry of Natural Resources for the installation and maintenance of coordinate control networks. Assistance is 50% to a maximum of $20,000 per year. Agreements generally run for up to three years. The funding covers approximately one-third of the cost of the work. Since 1984-85, only two municipalities have participated. However, with the advent of geographic information systems, it is expected that demand for the program will increase.

5. Surveys, Municipal

Under this program, municipalities can receive assistance towards a survey made for the purpose of fixing the position of a disputed or lost line, boundary or corner. Assistance is 50% with a maximum of $10,000 in any one year. The program has not been used much any more, especially in Southern Ontario. Instead, the Boundaries Act procedure is being followed (see Land Titles Survey Fund, Ministry of Consumer and Commercial Relations). There has been only one application in the last three years, but it did not go forward. There have been only 4 or 5 surveys undertaken in the last 20 years.

6. Ontario Basic Mapping

Under this program, municipalities are eligible for assistance towards the provision of 1:2000 basic scale mapping. Cost sharing is based on population. Municipalities up to 20,000 in population pay 1%. Municipalities of 200,000 to 300,000 population contribute 55% of the cost. Participation in the program is on an as requested basis.

However, approximately 350 municipalities have requested the program, but only 150 have been completed and only approximately 15 new municipalities are being done each year.

7. Land for Forestry Purposes

Under this program, Counties, Regions, Townships and Conservation Authorities are eligible for assistance towards the purchase of land suitable for forestry purposes. The Ministry provides approximately 75% of the purchase price including legal fees. There are 55 landowners in the program, mostly conservation authorities and upper-tier municipalities. In 1987-88, 11 properties were purchased under the program.

FUNDING

Ministry of Natural Resources payments for all miscellaneous grant programs to municipalities, except the Fires on Crown Lands/Fires in Fire Regions program, are shown in Table 4. Since there has been a net payment by municipalities to the Ministry of Natural Resources in the past two years under the Fire program, these figures are included separately in Table 5. Transfer payments for miscellaneous programs, excluding the fire programs, have dropped 18.3% from 1985-86 to 1986-87.

ANALYSIS

Many of the activities of the Ministry of Natural Resources have benefits to both individual municipalities and the province as a whole. Of the grants programs currently offered by the Ministry of Natural Resources, it is possible to delineate where responsibility should be shared and where it should be assumed by one level of government.

At the outset of this report, the Association established the principle that if a senior level of government imposes its regulations upon municipalities, it is then incumbent upon the senior level of government to compensate municipalities in order to comply with the regulations. Upon reviewing the MNR grant programs, the Association finds that there are a number of grant programs for which financial responsibility should be assumed by the provincial government. These programs include the Surveys, Coordinate Program, Ontario Basic Mapping and the Access Roads to Provincial Parks grants. All of these programs require municipalities to comply with regulations which have been imposed by the provincial government.

Surveys conducted under the Surveys, Co-ordinate Control Program and the Ontario Basic Mapping Program are carried out to Ministry of Natural Resources specification and are approved by the Ministry. In addition, the Ministry retains the information for its own purposes and makes it available to the public. As such, the Association believes that these programs are primarily provincial and therefore should be provincially funded. The Association has also found that current funding levels for the Ontario Basic Mapping Program are insufficient to adequately meet demand. In 1987-88 there was a back-log of approximately 200 municipalities requesting funding through the program with only 15 municipalities receiving funding.

Provincial parks are clearly a provincial responsibility. Therefore, the Association believes that the Ministry of Natural Resources should assume full financial responsibility for access roads to these parks.

Table 4

MNR Miscellaneous Grant Transfers to Municipalities

Program	1985/86	1986/87
Access Roads	30,000	0
Parks Assistance	404,000	304,000
Surveys, Coordinate	40,000	40,000
Surveys, Municipal	0	0
Basic Mapping	1,049,098	864,564
Lands for Forestry Purposes	200,000	200,000
TOTAL	1,723,098	1,408,564

* Source: Ministry of Natural Resources

Table 5

Provincial/Municipal Payments for
Fires on Crown Lands/Fires in Fire Regions Program

Amounted Billed	1985/86	1986/87
Municipalities to MNR	30,000	3,000
To Municipalities by MNR	156,000	162,000
Net Payments by Municipalities to MNR	126,000	159,000
Total MNR Transfer Payments Net of Fires Program	**38,497,098**	**40,945,564**

* Source: Ministry of Natural Resources

There are, however, certain grant programs which support services which should remain a joint provincial-municipal responsibility. The Land for Forestry Purposes Program is delivered under the Forestry Act and is concerned with the production of wood and wood products, provision of proper environmental conditions for wildlife, protection against floods and erosion, recreation and production and protection of water supplies. It is reasonable for the preservation and proper management of forests to remain a shared responsibility of both provincial and municipal governments.

Following from this rationale, the protection of forests from fires can be seen as a provincial-municipal responsibility. This responsibility therefore should be shared through the Fires on Crown Lands/Fire in Fire Regions Program. With regard to the grants structure for the Fire on Crown Lands/Fire in Fire Regions Program, the Association supports the shift towards type agreements where municipalities and the Ministry will be providing services to each other on an equal cost recovery basis. AMO believes that this shift would preclude the need for revisions to this grant structure.

The responsibility for Parks Assistance Program should continue to be cost-shared between the provincial and municipal governments. Part two of the Parks Assistance Act provides that "the parks established under the Act shall be maintained and operated for the use and enjoyment of the public in such a manner as will be complementary to the use and enjoyment of provincial parks". In view of the broad provincial interest and municipal interest in establishing a network of provincial and community parks, cost-sharing of approved parks is recommended. Current funding levels appear to be adequate in that requests for funding are usually granted. It should be noted that in 1988-89, the Parks Assistance program will be administered through the Ministry of Tourism and Recreation.

The purpose of this analysis is not only to assess whether funding is consistent with delineated roles and responsibilities of provincial and municipal governments, but also to evaluate the relevancy of existing programs. The Association questions the usefulness of the Surveys, Municipal program. There has only been one application for funding under this program in the past three years and only five surveys undertaken in the past twenty years. This program appears to have been superceded by the surveys undertaken through the Land Titles Act, which is administered by the Ministry of Consumer and Commercial Relations and for which financial assistance is available. In view of the lack of participation in this program, the Association believes that the survey, municipal program be terminated in favour of the Land Titles Survey Fund administered by the Ministry of Consumer and Commercial Relations.

RECOMMENDATIONS FOR REFORM

Recommendation 3

The Association recommends that the Ministry of Natural Resources assume full responsibility for the Surveys, Coordinate Program and that the Ministry make available the funds necessary to meet the expected increase in demand for the Surveys, Coordinate Control program.

Recommendation 4

The Association also recommends that the Ministry of Natural Resources assume full financial responsibility for the Ontario Basic Mapping Program and that it allocate sufficient funds to address the backlog of applications for assistance under this program.

Recommendation 5

The Association recommends that the Ministry of Natural Resources assume full financial responsibility for Access Roads to Provincial Parks.

Recommendation 6

The Association endorses the move to generic purchase of service agreements by the Ministry of Natural Resources in the Fires on Crown Lands/Fires in Fire Regions grant programs.

Recommendation 7

The Association endorses the continuation of the Parks Assistance Program with the same grant structure and administered by the Ministry of Tourism and Recreation.

Recommendation 8

Due to the lack of participation in the Surveys, Municipal Grant Program, the Association recommends that it be terminated in favour of the Land Titles Survey Fund administered by the Ministry of Consumer and Commercial Relations.

MINISTRY OF TOURISM AND RECREATION

SUMMARY

The Association concluded that municipalities can best understand local needs for recreation, therefore, municipalities should have the primary responsibility for the provision and coordination of recreation services within their jurisdictions. Therefore, the Association has recommended that all capital and operating costs be assumed by municipalities and that the funds currently available through conditional recreation grant programs be incorporated as part of a new unconditional grant program.

The Association is also concerned that there has been a large surplus of revenues available through lottery funding which has not been allocated to culture, recreation, sport and fitness. The Association is also alarmed that Bill 119 has been proposed, which states that unallocated surplus lottery funds should instead be used for hospital funding. AMO recommends that the province give a full accounting of the extent of these surplus funds and that the interest from that fund be used to support recreation and culture activities.

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OVERVIEW

The Ministry of Tourism and Recreation is responsible for the development and promotion of tourism and recreation policies in Ontario. This involves support to tourist operators and attractions, and promoting Ontario as a place to visit to both residents and out-of-province visitors alike. The Ministry also provides sports and recreation resources to a wide range of municipalities and sports organizations. Transfers to municipalities involve only recreation programs, not tourist programs.

With respect to actual grants to municipalities for culture and recreation, in 1977-78, grants amounted to $23 million or 1.6% of the provincial transfer payment budget of 1.456 billion; in 1987-88, this had grown to $86 million, or 2.2% of the provincial transfer payment budget of 3.850 billion, with $46 million going to recreation.

Expenditures by the Ministry of Tourism and Recreation, as a percentage of total provincial expenditures, ahs been eroding slightly in recent years. In 1986-87, the Ministry accounted for $121 million, or 0.39 percent, of total provincial expenditures. In 1987-88, it accounted for $129 million, or 0.37 percent, of total expenditures. This percentage is expected to drop slightly to 0.35 percent in the budget plan for 1989-90.

A critical issue in examining recreation funding is the stable funding base for the maintenance and promotion of recreation and culture projects. Ministry officials asked the Treasurer of Ontario to assist in finding ways to put recreation funding on a more stable base. A commitment was given for three years for 75% funding based on the previous year's allocations which will enable some forward planning. However, the long term issue of use of lottery funds is not yet resolved.

The use of lottery funds to finance long-term development of recreation activities in Ontario has been the subject of political debate since 1986, when Bill 38 was introduced. The bill was designed to allow for surplus lottery profits, once paid into the consolidated revenue fund, to be earmarked specifically for the operation of hospitals. Many affected agencies and associations, including AMO, protested vigorously; fearing that in the face of competing demands, funding for recreation and culture would be compromised.

Although Bill 38 was withdrawn, it has recently resurfaced as Bill 119. The Bill has received Second Reading, and is generally expected to become law.

CURRENT PROGRAMS

Grants Programs

Up until the end of 1986, there were four major funding programs in the recreation area of the Ministry of Tourism and Recreation. These were funding for municipal recreation programs under Regulation 517; funding under the Community Recreation Centres Act (CRCA), Wintario Recreation program grants, and Wintario capital grants for Capital Conservation Programs and New Recreation Facilities Programs. In 1985-86, the Ministry received an infusion of $30 million for the Wintario Capital Grants Program to pay off accumulated debts. At the same time, funding for the CRCA stopped, although the Act is still on the books.

1. Municipal Recreation Programs (Regulation 517)

These grants were originally intended to hire qualified staff. All municipalities are eligible for these tax-based grants if they have a Recreation Committee in place and have passed a by-law committing to recreation facilities. Eligible recipients include municipalities, towns, villages, townships, territories without municipal organization and local service boards. The basis of assistance is:

a) where the population is 5,000 or less, the lesser of $6,000 or 50 per cent of the approved recreation costs;

b) more than 5,000 but less than 25,000, the less of $9,000 or 25 per cent of the approved costs;

c) more than 25,000 the lesser of $12,000 or 10 per cent of the cost.

Two hundred municipalities applied for these grants in 1987. However, the funding of the program could not meet the need; therefore funding for larger municipalities was pro-rated to enable smaller municipalities to be assisted. The program is under review and funding may be increased.

2. Community Recreation Centres Act (C.R.C.A.)

The Community Recreation Centres Act was discontinued in 1986-87. The original purpose of this program was to provide up to $75,000 for community recreation facilities, such as community centres and parks. In an attempt to avoid duplication, the Ministry discontinued this program since the lottery program also provided funds for the same facilities. The lottery program provides funding for all facilities which were covered under the C.R.C.A. program.

3. Wintario Program Grants

This program provides assistance for improving the quality of recreation leadership and programs to meet specific community needs. Eligible recipients are community, area, or provincial not-for-profit organizations which provide recreation opportunities in Ontario. The basis of assistance is 50 per cent of local project costs.

4. Wintario Capital Grants Program

a) Capital Conservation Program

This program assists in updating and improving existing community recreation facilities. Eligible recipients are municipalities, non-profit organizations, local service boards and school boards in unorganized territories. In northern and eastern Ontario, a grant may be available for up to one-half the net eligible cost of a project, after all other approved provincial and federal grants are deducted. The maximum grant available is $150,000. In central and southwestern Ontario, one-third of the net eligible costs up to $100,000 are available.

b) New Facilities Programs

This program assists in construction of new community recreation facilities. Eligible recipients are municipalities, non-profit organizations, local service boards and school boards in unorganized territories. In northern and eastern Ontario, a grant for up to one-half of the first $1.0 million of net eligible cost, after all other approved provincial and federal grants are deducted, together with one tenth of the remaining net eligible cost which exceed $1.0 million may be available. In central and southwestern Ontario, a grant of up to one-third of the first $1.5 million and one-tenth of the remaining net eligible cost which exceeds $1.0 million may be available.

Lottery Funding

The Ontario government entered the lottery field in 1975 with the creation of the Ontario Lottery Corporation Act which has a specific dedication clause (Section 9) stipulating that all net proceeds from the Corporation must be turned over to the government for expenditures on culture, recreation, sport and fitness. In addition, funds equalling the allocations from the previous year must be held back each year for funding in the subsequent year.

During the next decade, as the revenues from lotteries rose, new games were introduced. In 1976, the province entered into an agreement with the other provinces to form the Interprovincial Lottery Corporation, thus enabling the province to bypass the dedicated Section of the 1975 Act. Currently, the proceeds from the Provincial, Super Lotto and Lotto 6/49, are allocated to health, education and other projects decided by Cabinet.

At the time that lotteries were introduced, all dedicated lottery spending was administered by one Ministry - the Ministry of Culture and Recreation. When the Ministry was split in 1981, so too were responsibilities for lotteries, so that today, only central agencies such Management Board have a full picture of all lottery activities.

FUNDING

Grants Programs

Table 1, below, give a financial summary of recreation grants to municipalities in 1985-86 and 1986-87.

Table 1

Ministry of Tourism and Recreation Transfers to Municipalities

PROGRAM	85-86*	86-87	%Change
Municipal Recreation Programs (Reg. 517)	5,115,155	5,068,772	-0.92%
Community Recreation Centres Act (C.R.C.A)	2,842,452	-	
Wintario Program Grants	3,319,398	2,423,000	-27%
Capital Grants			
- Capital Conservation			
- New Facilities	35,520,333	24,257,000	-31.71%
TOTAL	**$46,797,338**	**$31,748,000**	**-32.16%**

* The decrease in funding between 85-86 and 86-87 was related to the fact that $30 million received was used to pay debts related to previous grant commitments.

Lottery Funding

Table 2, on lottery funding, shows that in 1977-78, there was a provincial surplus from lottery funds dedicated to recreation, culture, sport and fitness of $6.9 million. In 1987-88, this surplus had grown to $41.2 million. No information is available on how these funds have been spent.

The profits from the remaining lottery funds continued to grow, as shown in Table 2. The Wintario funds were the only source for the first two years; Lottario was added in the next four years and from 1983, the revenue from Instant Games were added.

Table 2

Lottery Grants and Revenue, 1977-78 TO 1987-88 (Millions)
(Wintario, Lottario and Instant Games)

Year	Total Revenue	Grants Made*	Surplus
77-78	71.0	64.1	6.9
78-79	46.0	71.875	-25.875
79-80	62.0	65.779	-3.779
80-81	116.0	61.798	54.202
81-82	137.0	74.293	62.707
82-83	117.0	89.674	27.326
83-84	118.0	94.213	23.878
84-85	122.0	85.790	36.210
85-86	136.0	111.000	25.000
86-87	169.0	127.800**	41.200
TOTALS			247.769

* Grants are for culture as well as recreation.

** Of this amount, $31 million went to municipalities for recreation; $56 million to culture and $41 million was surplus.

In addition to the total accumulated reserves of $248 million from the dedicated games in 1987, the proceeds from the Interprovincial (non-dedicated) games in 1987 totalled some $429.9 million. To date, no organization has been able to discover if the surplus has been spent by the provincial government, and if so how.

ANALYSIS

Clearly, recreation is becoming an increasingly significant activity for many Ontarians, with emphasis shifting now from the needs of the young to maintaining fitness and wellness among the aging population. One possibility being examined by the Ministry is co-ordinated funding of recreation programs; for example, with the Ministry of Community and Social Services. An Interministerial Committee has been proposed to look at possible co-operation.

The Association has a number of concerns with respect to recreation funding. First, municipal recreation programs are underfunded for the demands that are being made upon it. So many requests have come in for funds that grants have had to be pro-rated. Ministry officials are also questioning the future of the program: a) Should they continue pro-rating? b) Should the program be abandoned? or c) Should funding be confined to small municipalities which rely on this grant to help with operating costs?

At the same time, AMO resolutions continued to raise the question of provincial assistance for preserving and maintaining municipal recreation facilities (RPC-4, 1985); transfer to municipalities for recreation must keep pace with inflation (RPC-03, 1986); requests for provincial study of recreation grants (FIN-02, 1986 and FIN-13, 1987); resolutions requesting the restoration of full funding of Regulation 517, and restoration of full tax-based funding to C.R.C.A. grant to eliminate dependency on lottery funds (RPC-4 and RPC-5, 1987).

The adequacy of capital funding for recreation has been called into question by AMO resolutions. Recently, some municipalities report funding difficulties with upgrading and maintenance of community centres built in the 60's and early 70's. Provincial grants for capital funding have declined, but demand for services is rising. It would seem that new policy initiatives are required in this area.

Second, there is a lack of clear direction from the Ministry with respect to future programs. Future programs from the Ministry of Tourism and Recreation are being questioned by both municipal and provincial government officials. Originally, recreation funding grants were designed to stimulate municipal initiatives, help develop new programs, and support on-going projects. Since many municipal projects have matured, the question now becomes: Should the province continue to provide capital or operating funds for on-going programs, or apply their resources to support new initiatives? Also, should operating grants be continued for small municipalities whose revenue base is too small to support community recreation programs without assistance?

In 1987, the Ministry of Tourism and Recreation published "A Community Recreation Policy Statement", which defined the respective roles of the provincial and municipal governments in the field of recreation. The provincial role in recreation is "viewed as a social service like education or health which falls within the constitutional responsibility of the provinces and territories". However, municipal governments are "endowed with responsibility for the provision of recreation services, programs and facilities" (references to municipalities include

Indian bands and local service boards in areas where they have the same jurisdictional functions as municipalities).

The policy statement also identified the federal government as having a role in recreation including those activities which are national and international in scope. In addition, the role of the many volunter, non-profit and commercial agencies, organizations and societies which provide recreation services at the local, regional and provincial level is also mentioned. The Ministry expressed that "the resources represented by this diversity must be harnessed, partnerships consolidated and delivery systems enhanced to ensure that the needs of all Ontarians are met".

The provincial government states it will continue to deliver the following services:

- to assist municipalities to respond adequately to the needs of their constituents
- to nurture the development of private and commercial opportunities
- to promote co-operative planning processes
- to encourage co-operation at the regional level where several municipalities are affected by a recreation initiative
- undertake a lead role in the future in bringing related provincial ministries together to share information, discuss issues, and co-ordinate government efforts with respect to recreation; and
- keep abreast of recreation trends through information gathering, support for research and assistance in the development of voluntary and professional leadership throughout the province.

Since municipal recreation departments are closest to the people and most able to respond to their needs, municipal governments will be called upon "to intensify their efforts to stimulate joint planning, information exchange, program evaluation, and the co-ordinated development of resources among all groups and agencies providing recreation services so that opportunities and resources can be enhanced and opitimized".

RECOMMENDATIONS FOR REFORM

The Report of the Provincial-Municipal Grant Reform Committee recommended that grants for recreation be eliminated on the grounds that recreation was a municipal responsibility. However, grants to small municipalities were to be improved. AMO concurred then with both of these recommendations. Municipalities also believe that to ensure adequacy of funding, they should be in a position to charge user fees for certain types of activities.

With regard to recreation funding, AMO believes that municipalities best understand the local needs for recreation and, therefore, that recreation is a municipal responsibility.

Recommendation 1

AMO recommends that all capital and operating costs be assumed by municipalities and that adequate funding for recreation purposes be incorporated into a new unconditional grant program, as suggested by this study.

With regard to dedicated lottery funds, the provincial government has declined to use dedicated lottery funds for the purpose which they were intended and a large surplus has developed. There is also Bill 119, which proposes that these surplus funds be used to fund a new use entirely -- hospitals.

Recommendation 2

AMO recommends that the provincial government give a full account of whether this surplus has been spent and whether any funds still exist. Furthermore, the Association recommends that existing and future surpluses from the dedicated funds be invested in the interest of the citizens of Ontario, and that some of the funds be used to support capital recreation and culture activities.

MINISTRY OF TRANSPORTATION

SUMMARY

The provision of transportation services in Ontario includes municipal roads, transit systems and airports. Currently, transportation is cost-shared between the province and municipalities. Chronic underfunding of the roads system is a serious problem. The Association recommends that the provincial government review the current expenditures with the view to significantly increasing the provincial allocation to municipal roads.

The Association recommends that municipal roads funding be deconditionalized and funds allocated as part of the new unconditional grant program that has been recommended by this AMO report. The Association firmly believes that municipal roads are a traditional municipal government responsibility and that shifting roads dollars into an unconditional formula is complementary to the concept of increased municipal accountability for municipal services. It should be emphasized that the government should also significantly increase its financial commitment to roads maintenance and construction.

The Association recommends that the existing conditional grant program for transit services be retained. However, there should be revision to the funding formula for operating and capital costs to recognize the increased costs of provided further specialized transit services.

The Association believes that airport construction and operations are a tri-level governmental responsibility. AMO recommends that the existing airport construction and operation grants be retained.

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OVERVIEW

The Ministry of Transportation is responsible for the provincial highway system in Ontario. It also provides grants for municipal roads and transit. The Province and municipalities currently cost-share the funding for the provincial transportation system.

The Ministry's budget has been relatively level as a percentage of provincial expenditures. According to the 1988 Budget, in 1986-87, the Ministry accounted for $625 million, or 1.9 percent, of Provincial expenditures. In 1987-88, it accounted for $658 million, or 1.9 percent of provincial expenditures. In the 1989 Budget, the Ministry of Transportation's expenditures as a percentage of the total is expected to drop slightly to 1.7 percent in 1988-89 and 1.7 percent in the 1989-90 Budget Plan. The Ministry employs 11.8 percent of Ontario's public service staff.

The principal objective of the Ministry's funding program is to ensure an adequate system of municipal roads, streets, transit and air services as part of the overall provincial transportation system. The funding programs should provide assistance to municipalities in

a fair, equitable and consistent manner, to ensure the viability of these municipal services within this overall transportation system. This chapter will review Ministry funding for municipalities in thee areas:

A. Municipal Roads
B. Transit Systems
C. Airports.

A. MUNICIPAL ROADS

CURRENT PROGRAMS

The existing roads grant system of the Ministry of Transportation is extremely complex. Municipal structure, population, project type, municipal financial capacity, and needs all play a role in determining the amount of subsidy allocated by the Ministry. The current system also is accompanied by detailed administrative procedures and standards for the construction and maintenance of municipal paved and unpaved roads and bridges.

There are 6 different roads grants, which are briefly described below. For further information, please refer to Appendix A.

Municipal Roads, Bridges and Culverts: Varying subsidy levels, ranging from 50-100 percent, some of which are based on need.

Suburban Roads Grants: Subsidy of 50-80 percent, based on need, for the construction and maintenance of suburban roads and bridges.

King's Highway Connecting Link program: Subsidies of 75-100 percent for certain types of municipalities.

Development Roads: Up to 100 percent funding for construction of a road because of a provincial initiative, economic development need, or traffic need, as determined by the Ministry.

Local Roads Boards: Funding for roads in areas with local roads boards, under the Local Roads Boards Act.

Sidewalks and King's Highway or County Roads: Up to 75 percent for some municipal types for projects, as approved by the Ministry.

"Needs Assessment" Approach

The legislative authority for all transportation programs is found in the Public Transportation and Highway Improvement Act, and various individual acts for regional, district and metropolitan municipalities. The Municipal Act also empowers the council of every

municipality to pass by-laws for establishing municipal roads and bridges and for regulating usage, development, drainage, etc.

In general, all road maintenance and re-construction costs are eligible for funding. New construction is eligible only if it is an alternative to an existing alignment or is designated as a "main thoroughfare". Construction for roads needed for new development (i.e. a new subdivision) is exempt from funding. However, the focus of the Public Transportation and Highway Improvement Act is road maintenance and improvement.

The Ministry of Transportation uses a "needs assessment" approach for providing roads subsidies for maintenance and for construction of roads. The rates of support are determined annually for all municipalities, on a "needs assessment" basis. In essence, subsidies are granted either for the total approved allocation of that year or for the appropriate share of the municipalities expenditure, whichever is the lesser. It should be noted that the Ministry of Transportation makes the assumption that municipalities have reported all their local expenditures to the program.

The "needs assessment" approach to cost-sharing municipal roads uses factors such as the type of road, winter conditions, labour rates, material costs per kilometre of roads, historical expenditures and traffic volumes. An average level of spending needed to fund a municipal road is calculated and is then applied to each municipal situation. This average value is compared to the individual municipality's request for funding, their historical spending pattern for the program, and the total amount available. Once this total expenditure level is calculated, it is then examined in relation to the municipality's ability to pay its share.

The ability to pay the municipal share of roads program funding is determined using equalized assessment data. The assessment data considers taxable assessment plus equivalent assessments of other payments received, such as grants-in-lieu of taxes. This relationship between the identified roads needs and the relative ability to pay, based on assessment, determines the cost-sharing, within the legislated formula, per road program.

FUNDING

In the 1950s and 1960s, the annual provincial budget increased relatively slowly until 1965 when it began to rise rapidly. In the period of 1955 to 1965 transportation comprised between 26-33 percent of the total provincial budget as the province allocated funds to meet development and urbanization.

In the 1980s, however, the percentage of the provincial budget allocated to transportation has declined by over 50 percent since the 1960s. In 1987-88 approximately $631 million was allocated to municipalities for roads. This $631 million is approximately 16.3 percent of the total transfer of $3,850 billion dollars to municipal government. (The above figure includes the additional $30 million in the Ontario Municipal Improvement Fund).

No money has been allocated for the past three years to the unincorporated areas, the Sidewalks on King's Highways, and County roads programs. In 1987, no money was allocated to the Municipal Transportation Planning Program.

The Association acknowledges that there has been recognition on the part of the Provincial Government for the need for more provincial funding for municipal roads. In 1986-1987 the Ministry of Transportation's municipal roads budget increased by 4 percent for maintenance and 3 percent for new construction. In addition to the 4 percent, the Ontario Municipal Improvement Fund was initiated which provided an extra $30 million dollars in the roads subsidy program and Highway Connecting Link Program. The 1987-88 provincial budget continued the recognition for increased assistance for roads, with a total increase of 9.5 percent for construction and maintenance. As well the government provided $26 million in the Northern Development Fund, some of which was allocated to the roads program for northern Ontario communities.

The 1988-89 provincial budget provided an 8.9 percent increase in funding for roads for a total of $686 million. However the 8.9 percent figure of the 1988-89 provincial budget can be deceiving a significant portion of the financial assistance for municipal roads will be channelled into "special" programs; the Ontario Municipal Improvement Fund, the Ontario Transportation Investment Initiative and the Northern Ontario Heritage Fund. Only 575 million has been allocated to "general construction and maintenance" subsidies, really only a 4.5 percent increase over the previous year's allocation. This does not match the forecasted inflation rate of 4.7 percent for 1988-89. Therefore, routine maintenance and construction is still underfunded. The 1988-89 subsidy rate will not provide municipalities with adequate "maintenance" dollars. The Ministry of Transportation continues to allocate roads dollars through "special funds" such as the Municipal Improvement Fund, thereby distorting municipal priorities. This issue will be discussed further in the next section.

ANALYSIS

A key issue when discussing the roads grant system is the current level of funding. Are municipal roads adequately financed? The Association, as well as many other interested organizations who have undertaken studies, has concluded that it is not.

Municipal infrastructure has been the subject of much study over the past few years. The roads system as part of the general infrastructure of public works, bridges, sewers, water distribution systems, waste disposal and treatment is an essential part of the municipal physical environment. There have been studies brought to the attention of the government that the declining commitment of the past years has had a significant impact on the maintenance and rehabilitation of the municipal road system. The problem of provincial underfunding of Ontario's roads has become chronic in the late 1970s and 1980s. After accounting for inflation, expenditures in 1986-87 on the provincial highways program were almost 45 percent lower than their levels of the mid-seventies.

In 1984, the Road Information Program of Canada (TRIP Canada) produced a research study which made the following forecasts.

* In Ontario, 61 percent of 37,679 km of municipal paved roads would need resurfacing over the next five years. This would require an estimated expenditure of $3.4 billion. To meet this need, spending would have to increase by two and a half times.

* By 1989, more than 50 percent of all the roads and highways in Ontario will be in fair or poor condition, using the governments' own standards.

* By 1990, indications are that 32.5 percent of the provinces' bridges will need to be replaced or rehabilitated. In addition some 1,500 bridges do not now meet normal highway loading standards.

Roads funding is a significant component of municipal expenditures. Transportation is the largest spending area for all types of municipalities, except for Northern Ontario where the highest municipal expenditure allocation is for health and social services. In 1985, 24 percent of the municipal revenue fund is allocated to roads and transportation. Counties and Metropolitan Toronto allocate 28 and 26 percent respectively.

There are a number of key issues to be addressed in assessing the Ministry of Transportation's grants for roads.

* Adequacy of Expenditures
* Special Funding
* Road and Bridge Subsidy: Cash Flow
* Long-Range Capital Planning
* Structure and Administration of the Grants

This section will discuss each issue in turn.

Adequacy of Expenditures

The financial deficiencies of the program have had an impact on the subsidy process and structure of the grant. Obviously municipalities are not being subsidized in accordance with their roads "needs" or in accordance with the concept of the "ability to pay". Revenue from other sources, the property tax base, unconditional grants, is increasingly being allocated to fund the road programs. The result is a distortion of the cost-sharing principles of the program.

The Ministry of Transportation funding does not adequately cover municipal roads needs. The Ministry has provided to the Association the following information on over/ under expenditure levels for the 1986-1987 budget year. The following statistics have been extracted from the document "Ontario Municipal Road System Facts 1987" Municipal Roads Office, Ministry of Transportation.

The Ministry of Transportation examined financial support to municipalities for roads in three sectors:

1. upper-tier
2. large lower-tier
3. smaller lower-tier

Each sector was assessed as to level of over- or under-expenditure.

1. Ministry/Municipal Support to Upper-tier Roads

There are 27 counties and 12 regional municipalities with a total of 20,719 km roads. Upper-tier municipalities spend a considerable amount of "municipal" dollars on their roads systems. Over-expenditures have rise from $4 million in 1976 to over $39 million in 1987. The Ministry 1987 shortfall has been calculated at $36 million, based on the assumption that 91 per cent would be eligible for subsidy.

The Ministry has stated that in terms of funding levels to adequately meet roads maintenance and construction needs, the road funding system since 1979 has deteriorated for regional municipalities and countries. In 1979, it was judged that the roads system adequacy was 65.9 percent. In 1987, the Ministry concluded that system adequacy has dropped to 64 percent.

Regional municipalities, such as Metropolitan Toronto, Ottawa-Carleton and Hamilton, Wentworth, have a high level of unfunded capital needs. These municipalities require special funding and long term commitments, over their normal roads budgets.

2. Ministry/Municipal Support to Large Lower Tier Roads

There are 135 large lower tier municipalities in this category. For these municipalities, the Ministry of Transportation has noted that there has been a significant shift in municipal expenditures from construction to maintenance. This suggests that due to financial constraints there have been cutbacks in construction with the money devoted to on-going and routine maintenance.

Due to provincial constraints more large lower tier municipalities are allocating 100 percent "municipal" dollars. The Ministry of Transportation's share in 1975 was 48.9 percent ; in 1987 it was 42.7 percent. The Ministry stated that in 1987 there was a $44 million shortfall for these municipalities.

3. Ministry/Municipal Support to Small Lower-tier Municipalities

This sector comprises 711 municipalities having approximately 62,829 km of roads. These municipalities concentrate on roads maintenance as opposed to construction. Their construction needs are generally for bridges and equipment.

Ministry cost-sharing for small municipalities has been slightly reduced, 57.7 percent in 1975 to 56.2 percent in 1987. The Ministry suggests that funding for small lower-tier municipalities has kept pace with the rate of inflation.

In conclusion, high growth areas, large urban centres, counties and regional municipalities have been seriously impacted by provincial roads funding constraints. The total funding shortfall for these municipalities in 1987 was approximately $80 million.

The Association appreciates the recognition given over the past few years to the need for maintaining the municipal roads system. However, when comparing the dollar amounts to the actual need as identified by the many studies on the subject and as identified by municipalities in the needs assessment process, much more needs to be done.

Therefore, with respect to the municipal road programs, the adequacy of the grant is a fundamental issue to the municipal sector.

Special Funding: The Municipal Improvement Fund

The Association is concerned with the trend of the past few years of "special funds" and the "supplementary process" as opposed to the needs resource system of the roads grant program. As stated earlier, a large portion of the dollars is allocated to municipalities through "supplementaries" which come later on in the year or through special projects such as the Municipal Improvement Fund.

AMO has concerns with this structure for several reasons: the financial commitments appear short-term. There is lack of certainty regarding the continuation of the special funding, from one year to the next.

The special funding is not indexed to the inflation rate. It is however included in the total budgetary allocation, thereby distorting the financial picture for roads funding.

The special roads funding is allocated primarily to specific types of expenditures, such as equipment, a special capital project. The financial assistance therefore is not necessarily addressing basic roads needs as identified in needs studies.

Increased funding allocated through the "supplementaries", is often distributed too late in the year to enable municipalities to properly plan and make maximum use of the funding. This is further complicated by the fact that projects cannot be carried over from one year to the next.

Road and Bridge Subsidy: Cash Flow

The timing of roads subsidies needs to be greatly improved, to permit more efficient use of municipal and transfer payment dollars. The Association has in the past requested that the Ministry implement a monthly payment schedule beginning in April of the provincial fiscal year, with the final payment in the late fall, upon completion of the work.

Presently 38 percent of the initial allocation is provided to each municipality in May with a further 30 percent allocated in July. During September to November of the year the municipality submits an interim return, which entitles the municipality to the remaining expenditure to date, less previous payments. Up until 1987, the Ministry of Transportation held back 10 percent on the total subsidy due, until early January of the next budget year.

Municipalities experience cash-flow problems with the above financial procedures and many debt finance necessary large projects, to cover the inadequacies of this cash management practice.

Long-Range Capital Planning

A related issue is the inability of municipalities to take advantage of long-range capital planning for roads construction or maintenance projects under the existing conditional grants system.

When preparing a roads program for any given year, municipalities are very conscientious about providing projects to the Ministry for their consideration for funding. Unfortunately the weather and the timing of "supplementary" grants can disrupt plans and make it virtually impossible to complete what was proposed for any given year. Municipalities have encountered situations where the weather has made it impossible to complete a project by the fall of the year and municipalities are currently unable to carry over the costs for completion of the job to the spring of the following year.

Municipalities should have the authority, upon approval of the Ministry of Transportation's District Offices, to carry over larger projects underway in the municipality which cannot be completed due to circumstances beyond the control of the municipality. Many municipalities, especially small, rural municipalities, encounter this problem and find it difficult to meet their obligations to their rate-payers while, at the same time, adhering to the subsidy system implemented by the provincial government.

Structure and Administration of the Grants

Roads and bridges receive maximum grants based on municipal structure. For example with respect to municipal roads and bridges, counties may receive up to 80 percent (based on need) while cities and separated cities may receive up to 50 percent subsidization. A formula premised on municipal structure does not necessarily reflect the fiscal capacity of the municipality to cost-share roads program, or reflect its roads needs.

A municipality experiencing a high level of growth and development is in a difficult situation, in providing adequate infrastructure as the existing formula for maintenance and construction plus the "caps" imposed on funding, restrict the ability of municipalities to respond to "growth".

Also, the current administrative procedures are highly onerous and need to be significantly streamlined. For example, the current practice of monthly roads reports to ministry regional offices is a duplication of effort. The single municipal audit program should be sufficient for providing management and financial control of the system.

RECOMMENDATIONS FOR REFORM

Under the Ministry of Transportation's mandate, the province oversees all aspects of the provincial highway system, develops Ontario's air, rail and marine programs, and administers driver, vehicle and carrier licensing. Therefore, the ultimate responsibility for the provincial transportation system, including, roads and transit, rests with the provincial level of government.

The municipal level of government has been traditionally responsible for the maintenance and development of the municipal roads system. The Municipal Act empowers the council of every municipality to pass by-laws for establishing municipal roads and bridges and for regulating use, development and drainage. The Association believes that the responsibility for the maintenance and development of municipal roads, within the context of the overall provincial transportation plan, rests with the municipal level of government.

There is difference in the fiscal capacity of municipalities to provide local services, which is an important consideration. Without a mechanism of fiscal equalization, the level of even "basic" services would vary considerably from municipality to municipality, across the Province.

Continued provincial financial assistance to municipalities for roads is not only appropriate but necessary. The province has a broad range of revenue sources available to it, which allows the provincial government to ensure adequate financing of this basic service.

The Association recognizes the reality that provincial-municipal revenue sharing is necessary to maintain an effective municipal roads system, as part of the overall provincial transportation system. The Association does not support any reduction in the provincial financial commitment to municipal transportation programs.

Recommendation 1

> **The Association recommends that the provincial government review the current municipal deficiencies and over-expenditures with the view to significantly increasing the provincial allocation to municipal roads.**

Recommendation 2

> **The Association further recommends that the provincial government ensure adequate funds in the capital maintenance and construction component to ensure that individual municipalities receive at least the forecasted inflation rate or construction index rate.**

A New Unconditional Grant Program for Municipal Roads

As stated in the beginning of this report, the principal objective of this study was as follows:

> Municipal government requires a stable financial base which enhances local decision-making, complements political and financial accountability and enables both levels of government to facilitate the provision of services to its citizens. Such services and funding priorities should be established through long-term strategic planning and intergovernmental consultation.

The decision-making model developed by AMO is based on intergovernmental relations. If a service is determined as a municipal responsibility, then the transfer payment should be either deconditionalized or eliminated.

In 1977, AMO supported the Report of the Provincial-Municipal Grant Reform Committee which recommended the deconditionalization of municipal roads funding, with the funds added to an unconditional grants program. At the time, the Association emphasized that this recommendation was one of the most important ones of the total report, without which any other significant reform would not be achieved. Although the roads funding programs is not now the most significant municipal transfer payment, it still remains one of the prime funding programs for municipalities. It is also one of the more "mature" grant programs in terms of municipal experience in providing roads services, as part of the overall provincial transportation plan.

The Association, in this review ten years later, has arrived at similar conclusions and recommends that the roads transfer money be deconditionalized and become part of the provincial-municipal transfer payment system under a new unconditional grant program. The existing program funding is allocated by a complex and arbitrary system based on size, municipal structure, assessed needs. By "deconditionalizing" these dollars, a greater degree of fiscal equalization would be achieved. The unconditional concept is based on some degree of resource equalization and fiscal capacity.

It should be emphasized that the elimination of the grant does not suggest the elimination of the funding or negate in any way the earlier recommendations of this report which requests the government to increase significantly its financial commitment to roads maintenance and construction.

The Association understands that the existing Unconditional Grant Program of the Ministry of Municipal Affairs is currently under review by the Ministry. The current formula of the Unconditional Grants Program of the Ministry of Municipal Affairs would not address the resource equalization needs and diversity of municipalities across the province, if the roads dollars were incorporated into the program as it exists today. The Association recommends that a new system be developed to provide "resource equalization" across the province, and to enable municipalities to provide their services in a responsive and politically accountable manner.

The Association recognizes it may be somewhat controversial to recommend to the Province of Ontario that a new funding mechanism be put in place. However, AMO considers that rationalization of this "mature" grant program is the cornerstone of any future reform of the transfer payment system. The Association firmly believes that municipal councils should be politically accountable for establishing local priorities for municipal functions, and municipal roads have long been recognized as a traditional municipal government responsibility. The shifting of roads dollars into an unconditional formula is complementary to the concept of increased municipal accountability for municipal services. Municipal councils must have the ability to establish local priorities. For further information about the Association's proposed new unconditional grant structure, please refer to Part III of this report.

Recommendation 3

> **The Association recommends the development of a new "unconditional" grant for supporting basic municipal services. Municipal roads, as a basic municipal service, would be incorporated into this new general support grant.**

The Association believes that municipal government and the Provincial government must seriously re-examine current funding mechanism in light of new programs, municipal and provincial priorities and our current fiscal environment.

Municipal governments should be funded by a basic operating unconditional grant, which would replace many of the current conditional grant programs. Municipal services to be supported through a new unconditional program would be:

- protection services (fire, police emergency vehicles etc.)
- municipal roads
- environmental protection (waste collection and disposal, sewer and water)
- recreation and parks
- public libraries
- general government

In making this recommendation, the Association recognizes that not only will this be controversial at the municipal level, but also "politically sensitive" at the Provincial level of government. The development of a new less restrictive funding mechanism for the enhancement of municipal government in the delivery of the above services would have to be jointly developed by the municipal sector (AMO) and all the Ministries involved.

In 1977 AMO supported the Report of the Provincial-Municipal Grant Reform Committee which recommended the deconditionalization of municipal roads funding. One of the principal reasons for no movement in this area is the reality of Ministry jurisdiction and accountability for government programs.

Provincial Ministries do not wish to abdicate its program responsibilities. The Association is not suggesting that the Ministry of Transportation transfer its funding responsibilities. The new general municipal services support grant as an unconditional grant could be a joint effort of the key Ministries involved. A general municipal support grant comprising the key

municipal programs and services areas could be a method of ultimately facilitating intergovernmental liaison and coordination, and enhancing provincial-municipal relations.

B. TRANSIT SYSTEMS

CURRENT PROGRAMS

Public transportation, as commonly known in Ontario, is any service for which a fare is charged for transporting the public. It includes special transportation facilities for the physically disabled. These public transportation services can be operated either by a municipality or on its behalf by a contractor. The following discussion of transit grants and funding policies does not include those transit systems operated by the provincial government, such as the GO Transit system.

The current public transportation system is a joint function of the provincial-municipal levels of government. The Ministry of Transportation is responsible for the development and overall planning of the province's transportation system. The Ministry supports transportation technology and resource and energy conservation initiatives. Municipal governments operate their public transportation systems within the broad transportation plan of the Province.

There is presently a conditional grant program for all municipalities operating public transportation systems. The Municipal Transit Operation and Capital Grant Program of the Ministry of Transportation provides assistance for operating costs, transit capital, rapid transit construction, and capital and operating costs of public systems for the disabled, plus transit demonstration projects.

The following is a very brief summary of the funding formula for the components of the program.

* the province funds a percentage of operating costs, based on a population formula.
* the province provides 75 percent funding for capital and fleet.
* the province provides 75 percent funding for rapid transit construction for "approved" expenditures.
* for transportation systems for the disabled, the government provides 50 percent of the capital costs plus a percentage of the operating costs, plus a flat rate of $2.70 per passenger per trip.
* the province provides 90 percent capital funding for electrically driven vehicles (trolley buses).

Transit operating revenue is funded in part by the fares that riders pay to use the service. The balance of the operating costs is covered by provincial grants and municipal revenues. The size of the provincial operating grant varies with the size of the system, as the formula is based on population. However, according to studies by the Canadian Urban Transit Association, operating revenues are generally covered almost equally by the fare box and grants from governments (provincial and municipal). In 1986 the projection is 46 percent

from grants and 54 percent from user fees. In 1987 the projection is 44 percent from grants and 56 percent from user fees. The Canadian Urban Transit Association study suggests that costs of providing the services will rise gradually on an inflationary basis, due to rising costs of material and labour costs.

FUNDING

In 1987, the Ministry of Transportation's budget for transit was $291 million plus the $30 million in the Ontario Municipal Improvement Fund. The government projections for 1987-88 are $311 million which includes again $30 million in the Municipal Improvement Fund plus $100 million in service improvements and expansion of the GO Transit system. As well, the Premier announced an additional $16.8 million for making conventional systems more accessible tor the handicapped and for seniors. This is included in the above figure from the Ministry of Treasury and Economics. Therefore, approximately $311 will be transferred to local government for capital and operating costs of public transportation, or approximately 8.8 percent of the total transfer payments to municipalities.

ANALYSIS

Transit is unique as a municipal service because it must compete for its users. Citizens have no choice but to use the available roads, but they do have a choice when it comes to utilizing public transportation. Transit riders are extremely sensitive to levels of service. If a municipality cuts funding for transit and reduces service, then riders become dissatisfied and find alternative travel, and may never come back to the system. Studies illustrate that it is more difficult to recapture lost riders than to attract new riders. If the system loses riders because of service cut-backs, the system generates less revenue which means the system will either need more government subsidy or have to reduce service further. The cycle could destroy the transit system.

In urban areas, transit can have an impact on the economy, as the demand for transit is closely related to economic development. Therefore to ensure that the goals of municipal economic development are met, there needs to be long-range planning and anticipation of population growth, to ensure that the area does in fact grown and develop. Therefore, a key principle in transit funding is the need for a consistent funding mechanism in order to maintain levels of service in the system.

However, some areas of concern identified are: the growing costs; the existing formula and level of support for special services (handicapped services); the need for flexibility to effectively respond to new patterns of demand; and the cost impact of new environmental legislation on the delivery of the service.

The cost of a more accessible system, for the aging population and for the handicapped is a growing concern for municipal transit operators. Most transit systems for handicapped users in Ontario are parallel systems. Currently there are 58 municipalities in Ontario

which provide separate transit service for the disabled population. One of the priorities is increased accessibility of municipal transportation.

While this is a valuable service and a laudable goal, it is also an expensive one. Revenues from parallel transit services for the disabled are low and the costs of providing the service is extremely expensive. The costs of a fully integrated and accessible transit system are even higher. The provincial government has allocated $86.1 million over five years to specialized transit services. The funding will be allocated to these activities:

* reduced fares for all seniors, and reciprocity of seniors fares amongst municipalities.

* modifications to conventional transit systems to make them more accessible.

* special vehicles and staff for the vehicles.

* the expanded eligibility criteria for disabled transit services (from those unable to board vehicles to those unable to use vehicles - i.e. includes more ambulatory persons). This has increased potential users from 55,000 to 175,000.

* incentives for smaller municipalities to develop transportation services for the disabled.

* special taxis that are fully accessible.

In light of the above initiatives and the goal of the provincial government to provide more services for the aging population and for the disabled, the Association suggests that the basis of assistance for disabled transit services be reviewed. Both the operating formula and the capital grant of 50 percent should be significantly increased.

The Ministry of Transportation is now actively pursuing service improvements to improve the availability of these specialized transit services. Additional funding as announced in June 1988 has been provided for new vehicles and increased service levels. There is now also an enriched subsidy for microcomputer systems to improve dispatching and reduce reservation times.

This funding will likely only partially address the financing of specialized transit services. The current eligibility criteria for specialized services (which is fairly restrictive) is under review by the government. The proposed definition is:

> "Specialized transit services are intended for: Persons who due to functional mobility problems, are physically unable to: climb or descend steps of regular public transit facilities or walk a distance of 175 metres".

Service demands will be highly affected by the increase in eligible consumers.

RECOMMENDATIONS FOR REFORM

The public transportation system is a joint responsibility of provincial and municipal government. The Association recommends the retention of the existing grant program for transit, but with specific improvements to improve the effectiveness of the program. In reviewing the literature and past policy work of the Association on the subject, there is an indication that this conditional grant program does not need major reform.

Recommendation 4

> **The Association recommends that the municipal transit grant be retained as a conditional grant.**

Recommendation 5

> **AMO recommends that the funding formula for operation and capital costs for specialized (disabled) services be increased as follows:**
>
> * **75 percent of the expenditures for capital costs**
> * **the flat rate of $3.15 of operating costs be increased significantly.**

Another issue identified in the review of the current conditional grant is environmental legislation which directly contributes to operating cost and to capital construction costs. To comply with the class Environmental Assessment process, municipal costs have increased. However, these are not considered "approved costs" in submitting detailed estimates and requests for allocations to the Ministry of Transportation.

Recommendation 6

> **AMO recommends that the Ministry of Transportation review its approved expenditures for transit expenditures to include the costs of the environmental assessment process.**

C. AIRPORTS

CURRENT PROGRAMS

The provincial government initiated a subsidy program for municipal airports in the 1970s, to stimulate development in northern and eastern Ontario. The subsidy program is still a minor component of the provincial-municipal transfer payment system, as it is primarily an enrichment program to stimulate regional and local economic development.

The construction subsidy program is based on the principle of cost-sharing with municipalities who are themselves directly responsible for the planning, design, construction and maintenance of the airports. Because the initial costs of developing a basic airport package are

very high, those items are subsidized at a higher rate than infrastructure items which might be in addition to a basic package.

Substantial subsidies will not be approved until a long term plan for the airport has been developed and zoning controls over surrounding lands have been assured. Each project for which subsidy is requested must be approved before the project is initiated.

A list of municipal airports which are currently eligible for subsidy is provided in Figure 1. Airports which are owned, operated or funded by the Federal Government are not eligible for Provincial subsidy. The number of airports owned by the different levels of government is shown in Figure 2.

Figure 1

Municipal Airports Eligible for MOT Subsidy

Arnprior	Goderich	*Manitouwadge	Haliburton Hlnds
*Atikokan	*Hearst	*Marathon	Stratford
Brantford	*Hornepayne	Midland	*Terrace Bay
Brockville	*Ignace	*Nakina	Thessalon
*Chapleau	Iroquois	Parry Sound	Tillsonburg
Chatham	Iroquois Falls	*Pelee Island	Tobermory
*Cochrane	Killarney	*Peterborough	*Trenton
Collingwood	Kincardine	Port Elgin	Vermilion Bay
*Cornwall	*Kingston	St. Thomas	Waterloo/Guelph
Ear Falls	*Kirkland Lake	*Sioux Lookout	*Wawa
*Elliot Lake	Lindsay	Smith Falls	Welland
*Geraldton	Manitoulin East	South River	

Figure 2

Government Ownership of Airports in Ontario

Ownership	Total Number of Airports	*Airports with Scheduled Service
Federal	25	18
Provincial	23	20
Municipal/Other	51	25
Total	99	63

* Airports with regularly scheduled passenger service (Class 1, 2 and 3 Carriers operating to Class 2 standards).

FUNDING

In 1986 the government provided approximately $2.9 million to municipalities for airport construction. $962,000 was transferred for the maintenance of these airports. In 1987-88, $2.8 million was allocated for airport construction and $830,000 for operating assistance. The allocation is a small component of the transportation budget, and rather insignificant in terms of the overall airport system of the country.

The municipal cost of projects subsidized under this program are normally funded directly from the general revenues of the municipality but contributions from local industry or other private parties may be used to pay all or a portion of the municipal share.

ANALYSIS

Transport Canada has the exclusive authority to impose technical regulations on the design and operation of any airport. All licensed airports must therefore meet minimum standards established by Transport Canada. Second, the Federal Government owns numerous airports in Ontario, has assumed direct development and operating responsibility for some, and financially sponsors other which they do not themselves operate.

Transport Canada has also assumed responsibility for developing and operating the public air navigation system, including: radio aids to navigation; aviation weather recording and reporting stations, and aeronautical communication stations. Such facilities and services are not, therefore, eligible for subsidy under the Ministry of Transportation's construction or maintenance programs.

The role adopted by the Ontario Ministry of Transportation in regards to municipal airports is to provide technical guidance and financial assistance to individual municipalities which are not served by airports owned, operated, or sponsored by the Federal Government.

The role of municipalities is to plan, construct, and operate such airports, guided by the regulatory requirements of Transport Canada and by the conditions under which subsidy is granted by the Ministry. The prime contact of these municipalities is with the Ministry of Transportation but there is also involvement with Transport Canada regarding airport licensing.

RECOMMENDATIONS FOR REFORM

The Association recognizes that airport construction and operations are a tri-level responsibility. The principal funding should come the federal and provincial government. The Association has concluded that municipalities in Ontario and the more northern remote areas of the province require assistance for local airports, which are an essential part of a regional transportation system.

Recommendation 7

The Association recommends that the existing airport construction and operation grant program of the Ministry of Transportation be retained.

MISCELLANEOUS GRANT PROGRAMS

SUMMARY

In this chapter the association makes recommendations on the grant programs of various provincial ministries whose scope do not merit a separate chapter.

*****

OVERVIEW

The objective of this chapter is to examine the current funding programs of the Ministry of Agriculture and Food, the Ministry of the Solicitor General, the Ministry of Northern Development and the Ministry of Energy in terms of their relevancy to the current municipal operating environment.

MINISTRY OF AGRICULTURE AND FOOD

The Ministry of Agriculture and Food provides the following grant programs to municipalities.

1. Drainage Works Programs/Drainage Works Erosion Control Program

The Ministry, through the Drainage Works Program (Drainage Act), provides grants to municipalities for drainage works for agricultural lands. The program includes the cost of embanking, pumping machinery and maintenance. Municipalities in counties receive 33.3% of the cost assessed against agricultural land. Municipalities in territorial districts receive 66.66% of the cost assessed against agricultural land.

In 1985-86, municipalities received $8,501,040 in grants from the Ministry. In 1986-87 grant to municipalities totalled $5,020,480.

The Ministry also provides funds to municipalities through the Ontario Drainage Works Erosion Control Program to prevent erosion in municipal drains constructed or maintained under the Drainage Act. The basis of assistance is 80 percent of the cost of materials as assessed against agricultural lands.

Recommendation 1

> **The Association recommends that since these are flow through programs to municipal residents that the grants remain in their present form.**

2. Livestock Compensation Program

The Ministry of Agriculture and Food's Livestock Compensation (Dog Licensing and Livestock and Poultry Protection Act) reimburses municipalities for all compensation it has paid for losses caused by wolves. Municipalities are financially responsible for losses to livestock caused by dogs because municipalities are responsible through their municipal by-laws for dogs.

In 1985-86 the Ministry reimbursed municipalities with $628,071 in funds. In 1986-87 the total reimbursement was $632,205.

Recommendation 2

> **Since municipalities are required to reimburse owners of livestock for losses caused by wolves through the Livestock Protection Act, the Association recommends that the Ministry of Agriculture and Food continue to provide 100 per cent funding through this conditional grant program.**

3. Agrinorth

Agrinorth is a joint program of the Ministry of Agriculture and Food and the Ministry of Northern Development and Mines to develop northern agriculture. Farms to which grants may apply must be located in the northern districts of Algoma, Cochrane, Kenora, Manitoulin, Nippissing, Parry Sound, Rainy River, Timiskaming, Thunder Bay and Sudbury.

In 1985-86 the Ministry of Agriculture and Food provided $737,866 to farmers through municipalities. In 1986-87 the Ministry provided $627,414 in grants for northern agriculture.

Recommendation 3

> **Since the provincial government has established the development of northern Ontario as a policy priority, the Association recommends that this flow through program continue.**

MINISTRY OF THE SOLICITOR GENERAL

The Ministry of the Solicitor General provides two grant programs to municipalities.

1. Police Radio Communications Service

The Ministry of the Solicitor General provides grants to municipalities incurred by municipal police forces in upgrading police radio communications services which incorporate in an inter-communications capability and ease of access to the Canadian Police Information Centre. Eligible municipalities are those which have not been incorporated in regional government although regions are assisted with start-up costs.

In 1985-86, municipalities received approximately $53,000 in grants from the Ministry. In 1986-87, grants to municipalities totalled $99,000.

Recommendation 4

> **The Association recommends that this grant program be discontinued and that the funds allocated to this program be re-allocated to the new unconditional grant program as recommended in Part III of this report.**

2. Auto Extrication Program

The Ministry of the Solicitor General provides assistance to municipalities towards the capital costs of auto extrication equipment for fire departments.

In 1985-86 the Ministry provided approximately $249,979 in grants to municipalities. In 1986-87 grants to municipalities totalled $250,000.

Recommendation 5

> **The Association recommends that since auto safety and emergency services are shared responsibilities between the provincial and municipal governments, that the grant program be continued in its present form.**

The Association also believes that where increased costs are dictated to municipalities by the province, due to changes in standards (i.e. upgrading of fire fighters equipment), that increased costs to municipalities be reflected in the proposed new unconditional grant program.

MINISTRY OF ENERGY

The Ministry of Energy currently provides three grant programs to municipalities, one of which was established in 1987.

1. Municipal Oil Conversion and Energy Conservation Program (MOCECP)

The Ministry provides grants to municipalities to assist in the undertaking of fuel conversions and energy conservation retrofits in existing buildings. Grants are available to all municipalities, conservation authorities and public utility commissions.

In 1985-86 municipalities received approximately $1,135,182 in grants. In 1986-87 grants to municipalities totalled $1,134,000. In 1987-88 this grant program was discontinued.

2. Small Hydro Site Assistance Program

The Ministry provides grants to municipalities and the private sector to encourage the development and redevelopment of Ontario's small hydraulic resources.

In 1985-86, the Ministry provided $209,442 to municipalities. In 1986-87 municipalities received approximately $11,913.

Recommendation 6

> **The Association recommends that the small Hydro Site Assistance Program be continued in its present format as it meets provincial objectives regarding the supply of non-renewable resources.**

3. Energy from Municipal Solid Waste Program

This program was established in 1987. The Ministry provides financial assistance towards the capital costs of equipment and buildings for the recovery of energy from municipal solid waste. The level of assistance is determined on a case by case basis but generally is 15% of eligible capital costs to a maximum of $6 million per project. This capital assistance program is a five year, $25 million program designed to assist municipalities and private sector proponents with the costs of land, buildings and equipment to develop facilities which burn garbage and solid waste to produce electricity, steam and hot water.

Twenty-five million dollars has been allocated to this five year program.

Recommendation 7

> **The Association recommends that the Energy from Municipal Solid Waste Program be continued in its present format as it meets provincial objectives regarding the supply of non-renewable resources.**

MINISTRY OF NORTHERN DEVELOPMENT AND MINES

The Ministry of Northern Development and Mines provides economic and community development programs to municipalities situated in northern Ontario.

1. Northern Economic Development Program and Northern Community Services Development Program

The purpose of the Economic Development Program is to assist communities in Northern Ontario, particularly single industry communities to identify and pursue opportunities to develop and diversify their local economies with the private sector and to effectively work with other government agencies providing specific industrial development support programs.

The purpose of the Northern Community Services Development Program is to assist in providing social, cultural and governmental services in northern Ontario through improved access to government programs, supplementing community infrastructure and developing cultural services.

In 1985-86 the Ministry provided $12,627,684 to municipalities through these programs. In 1986-87 municipalities in northern Ontario received $12,183,000.

Recommendation 8

> **Since the provincial government has established the development of northern Ontario as a provincial priority, the Association recommends that these grant programs continue.**

TABLE OF RECOMMENDATIONS

Ministry of Community and Social Services

Recommendation 1

The Association recommends that there be one universally accessible income maintenance system, completely funded by the federal and provincial levels of government.

Recommendation 2

The Association recommends that the income maintenance program may be delivered by the municipal level of government on a county, regional or district basis. In those areas without municipal organization, the program should be delivered by provincial government offices.

Recommendation 3

The Association recommends that the total cost for those municipalities involved in delivering the future income maintenance system be 100 percent covered by the federal and provincial governments.

Recommendation 4

AMO recommends the elimination of the municipal operating cost-shared child care funding program (80-20 formula) in its present form.

Recommendation 5

The Association recommends that childcare become an "essential" social program, with its operating expenditures 100 percent funded by the federal and provincial governments. With respect to capital assistance, AMO states that the existing capital program remain but be 100 percent funded by the federal and provincial levels of government (75 percent federal, 25 percent provincial).

Recommendation 6

The provincial government should "legislate" and fund a minimum level of childcare service across the province.

Recommendation 7

AMO states that municipal governments could at their discretion administer childcare programs in the community, on behalf of the provincial government.

Recommendation 8

The Association recommends that the municipal contribution (20 percent cost-sharing for operating expenses) to Children's Aid Societies be eliminated and Children's Aid Societies be totally funded by the provincial government.

Recommendation 9

The Association recommends that Children's Services Coordinating and Advisory Groups be eliminated, and their planning and coordinating function be assumed as part of the policy and priority setting function of the provincial government and social planning function of municipal government.

Recommendation 10

The Association recommends that the Municipal Homes for the Aged program be a permissive program, administered by municipalities and 100 percent funded by the provincial government similar to the municipal administration of municipal non-profit housing program.

Further, AMO states that such Municipal Homes for the Aged would provide strictly residential care; the provincial government would assume complete responsibility for funding and administration for chronic/extended care as part of the health care system of the provincial government.

Recommendation 11

The Association recommends the retention of the provincial-municipal cost-sharing for community support programs for seniors: the Elderly Persons Centres, the Homemakers and Nurses Services program, the Home Support Program. Municipal involvement in community support programs for seniors would be permissive. The Association further urges the government to establish a uniform all inclusive cost-sharing program for community based programs for seniors and for all client groups.

Recommendation 12

AMO recommends the introduction of a new conditional grant, a social planning grant. Furthermore, the Association supports a uniform cost-shared formula for all social services conditional grants.

Recommendation 1

AMO recommends the continuation of provincial funding for community museums. Furthermore, the Association urges the federal government to re-examine its proposal to discontinue funding for community museums.

Recommendation 2

The Association recommends the status quo with respect to heritage conservation funding and activities.

Recommendation 3

Municipalities, with guidance from their Local Architectural Conservation Advisory committees, should have primary responsibility for the identification and designation of local heritage sites, as well as facilitating heritage planning and provision of infrastructure.

Recommendation 4

The Association requests the Ministry of Culture and Communications to change Regulation 100/85 as it pertains to paragraph 5 to 14 of Section 2, pursuant to the Public Libraries Act, 1984, to provide for a more flexible local approach to the funding of library services to meet each community's unique needs.

Recommendation 5

AMO recommends that capital and operating library grants be deconditionalized and that the funding be included in the new basic municipal services unconditional grant program.

Recommendation 1

The Association recommends that the provision of municipal sewer and water services should to be delivered through conditional grants on a federal/provincial/municipal cost-shared basis; and this existing framework should be used to ensure that the province provides adequate funds for provincially-initiated programs.

Recommendation 2

The Association recommends that where changes in regulations or standards have been imposed on municipal facilities by the provincial or federal governments; said levels of government should undertake to subsidize the costs incurred.

Recommendation 3

The Association recommends that municipalities reassess current levels of user-fees to provide for the eventual full cost recovery of sewer and water services. At the provincial level, the appropriate legislation should be amended to allow municipalities to employ user-fees to finance future expansion.

Recommendation 4

AMO believes that waste management is the shared responsibility of all parties, the provincial government, municipalities, industry and the consumer.

Recommendation 5

The Waste Management Master Plan Program (WMMP) would be eliminated, with the responsibility for the master plan, environment assessment process assumed by the Province of Ontario.

Recommendation 6

The Waste Management Improvement Program (WMIP) would be retained as a cost-shared conditional grant, as site upgrading to meet provincial regulation is a joint responsibility.

Recommendation 7

The Financial Assistance Program (FAP) would be eliminated with the hearing/approval funding not required as it would be a provincial responsibility. The capital component would not be required, with municipal governments assuming financial responsibility for collection and disposal.

Recommendation 8

The 4Rs funding programs (Recycling, Recovery, Reduction and Reuse) would be retained, as research and development, policy and environmental regulation are a provincial responsibility. (The financial assistance under th 4Rs initiatives should be directed to research and the development of new technologies to assist municipalities in meeting the environmental goals established by the Province).

Recommendation 9

Household Hazardous Waste Programs should be operated by the provincial government. If the Ministry of Environment wishes Household Hazardous Waste Days to be locally based, these could be organized by municipalities for the Ministry on a contract for service basis.

Recommendation 10

The Association recommends that the provincial government review the current expenditures of Waste Management Programs, with a view to significantly enhancing the provincial allocation to meet needs.

Recommendation 1

The Association recommends that the provincial government totally fund the mandatory core health programs of the Health Protection and Promotion Act, 1985.

Recommendation 2

AMO recommends a restructuring of local boards of health to become either community boards with representation from municipal government, school boards, community groups, the provincial government, or that municipalities retain their existing health board/committee of council structure with the option to delivery public health programs on behalf of the provincial government on a contract for service basis.

Recommendation 3

The Association further states that restructured local boards of health should remain as the decentralized delivery agents for public health core programs.

Recommendation 4

The Association recommends that the provincial government continue to fully fund community health programs, and that it examine the actual costs of services provided, in order that said programs continue to fulfil their purposes.

Recommendation 5

The Association recommends that the Capital Assistance Program be amended to reflect that capital construction and equipment for hospitals, including community hospitals, teaching hospitals and rehabilitation and treatment centres, be 100 per cent funded by the Provincial government.

Recommendation 6

The Association recommends, in view of the necessity of universal access to ambulance services, that the provincial government fully fund this service; and thus ensure an adequate level of service across the province.

Recommendation 1

The Association recommends retaining the Building Action Program and the Municipal Building Profile Program as a cost-shared program.

Recommendation 2

The Association recommends that the Municipal Housing Statement Program, which is presently a cost-shared conditional grant program with 50-65% provincial funding, be restructured as a conditional grant with 100 percent funding from the provincial government.

Recommendation 3

AMO recommends that the Seniors Retirement Communities and the Starter Home programs be discontinued.

Recommendation 4

The Association recommends the continuation of the Ontario Home Renewal Program, the Ontario Home Renewal Program-Disabled and the Low-Rise Rehabilitation Program in their present forms.

Recommendation 5

AMO recommends not only the continuation of, but the enhancement of the non-profit housing program as a fully funding provincial program.

Recommendation 6

The Association recommends that the Ontario Housing Corporation pay its full share of municipal property taxes rather than payments-in-lieu.

Recommendation 7

The Association recommends that the Home Sharing program of the Ministry of Housing become a conditional grant program 100 percent funded by the provincial government.

Recommendation 1

The Association recommends the retention and augmentation of the Municipal Administration Program and the Ontario Municipal Training Program.

Recommendation 2

The Association recommends the maintenance of the Municipal Services in French Program as a conditional grant program of the Ministry of Municipal Affairs.

Recommendation 3

The Association recommends that the Shoreline Property Assistance Loan Program be continued in its current format.

Recommendation 4

The Association recommends that funds allocated under the community planning program, the commercial area revitalization program, the Ontario neighbourhood improvement program and the PRIDE program, be delivered through a new improved unconditional grant program.

Recommendation 5

The Association recommends that the Federal and Provincial governments should bear their full share of property and other municipal taxes.

Ministry of Natural Resources

Recommendation 1

The Association recommends that the supplementary grants for Conservation Authorities be eliminated and a new system of regular grant rates be established based on total watershed, assessment and population, on the basis that it will serve to simplify and add consistency to the existing grant structure.

The Association further recommends that any restructuring of the grant formulas to Conservation Authorities be phased in over a two to three year period so as to lessen negative impacts on particular authorities.

Recommendation 2

The Association recommends therefore that overall funding for Conservation Authority purposes be increased to at least the level of inflation.

Recommendation 3

The Association recommends that the Ministry of Natural Resources assume full responsibility for the Surveys, Coordinate Program and that the Ministry make available the funds necessary to meet the expected increase in demand for the Surveys, Coordinate Control program.

Recommendation 4

The Association also recommends that the Ministry of Natural Resources assume full financial responsibility for the Ontario Basic Mapping Program and that it allocate sufficient funds to address the backlog of applications for assistance under this program.

Recommendation 5

The Association recommends that the Ministry of Natural Resources assume full financial responsibility for Access Roads to Provincial Parks.

Recommendation 6

The Association endorses the move to generic purchase of service agreements by the Ministry of Natural Resources in the Fires on Crown Lands/Fires in Fire Regions grant programs.

Recommendation 7

The Association endorses the continuation of the Parks Assistance Program with the same grant structure and administered by the Ministry of Tourism and Recreation.

Recommendation 8

Due to the lack of participation in the Surveys, Municipal Grant Program, the Association recommends that it be terminated in favour of the Land Titles Survey Fund administered by the Ministry of Consumer and Commercial Relations.

Ministry of Tourism and Recreation

Recommendation 1

AMO recommends that all capital and operating costs be assumed by municipalities and that adequate funding for recreation purposes be incorporated into a new unconditional grant program, as suggested by this study.

Recommendation 2

AMO recommends that the provincial government give a full account of whether this surplus has been spent and whether any funds still exist. Furthermore, the Association recommends that existing and future surpluses from the dedicated funds be invested in the interest of the citizens of Ontario, and that some of the funds be used to support capital

Ministry of Transportation

Recommendation 1

The Association recommends that the provincial government review the current municipal deficiencies and over-expenditures with the view to significantly increasing the provincial allocation to municipal roads.

Recommendation 2

The Association further recommends that the provincial government ensure adequate funds in the capital maintenance and construction component to ensure that individual municipalities receive at least the forecasted inflation rate or construction index rate.

Recommendation 3

The Association recommends the development of a new "unconditional" grant for supporting basic municipal services. Municipal roads, as a basic municipal service, would be incorporated into this new general support grant.

Recommendation 4

The Association recommends that the municipal transit grant be retained as a conditional grant.

Recommendation 5

AMO recommends that the funding formula for operation and capital costs for specialized (disabled) services be increased as follows:

* 75 percent of the expenditures for capital costs
* the flat rate of $3.15 of operating costs be increased significantly.

Recommendation 6

AMO recommends that the Ministry of Transportation review its approved expenditures for transit expenditures to include the costs of the environmental assessment process.

Recommendation 7

The Association recommends that the existing airport construction and operation grant program of the Ministry of Transportation be retained.

Miscellaneous Grants

Ministry of Agriculture and Food

Recommendation 1

The Association recommends that since these are flow through programs to municipal residents that the grants remain in their present form.

Recommendation 2

Since municipalities are required to reimburse owners of livestock for losses caused by wolves through the Livestock Protection Act, the Association recommends that the Ministry of Agriculture and Food continue to provide 100 per cent funding through this conditional grant program.

Recommendation 3

Since the provincial government has established the development of northern Ontario as a policy priority, the Association recommends that this flow through program continue.

Ministry of the Solicitor General

Recommendation 4

The Association recommends that this grant program be discontinued and that the funds allocated to this program be re-allocated to the new unconditional grant program as recommended in Part III of this report.

Recommendation 5

The Association recommends that since auto safety and emergency services are shared responsibilities between the provincial and municipal governments, that the grant program be continued in its present form.

Ministry of Energy

Recommendation 6

The Association recommends that the small Hydro Site Assistance Program be continued in its present format as it meets provincial objectives regarding the supply of non-renewable resources.

Recommendation 7

The Association recommends that the Energy from Municipal Solid Waste Program be continued in its present format as it meets provincial objectives regarding the supply of non-renewable resources.

Ministry of Northern Development and Mines

Recommendation 8

Since the provincial government has established the development of northern Ontario as a provincial priority, the Association recommends that these grant programs continue.

AMO RECOMMENDS A "NEW" TRANSFER PAYMENT SYSTEM

The Association recommends the following comprehensive package of financial reform:

I. **A stable and consistent municipal revenue base comprised of property tax, user fees, and revenue transfers from the Provincial and Federal governments. Revenue transfers (grants) must be clearly defined in a new revenue-sharing partnership agreement.**

II. **A new general municipal support grant to replace the current inadequate Unconditional Grant Program.**

III. **Elimination of some conditional grant programs with the funding allocation distributed to municipalities through the new Unconditional Grant Program - a general municipal support program.**

EXAMPLES:
- Municipal Road Grants
- Community Planning Grants
- Community Area Improvement program
- PRIDE
- Community Programs in Recreation
- Wintario Development Program Grants
- Wintario Capital Grants

IV. **Elimination of specific Conditional Grant Programs with program responsibility assumed by the Provincial Government. Municipalities could act as a delivery agent for some services, on a full cost recovery basis.**

EXAMPLES:
- Income Maintenance & Employment Support Programs
- Child Care
- Children's Aid Societies
- Municipal Homes for the Aged
- Municipal Housing Statement Program
- Ontario Basic Mapping Program

V. **For those services assessed as a joint responsibility, retention of the existing cost-shared grant program.**

EXAMPLES:
Transit Specialized Operation and Capital Grant Programs
Elderly Person Centres
Homemakers and Nurses Services Program
Home Support Program
Lifelines
Sewer and Water Direct Grant Program
Conservation Authorities
A (New) Social Planning Grant Program

VI. **Continuation of those programs in which municipalities act as administrative agents for the Provincial Government.**

EXAMPLES:
Ontario Home Renewal Program
Livestock Compensation Program
Shoreline Property Assistance Program
Drainage Works/Erosion Control Programs

VII. **Elimination of payments on lieu of taxes with the Federal and Provincial governments paying their full share of property taxes.**

Recommendation 1

AMO states that reform must begin with a clear statement from the Province of Ontario confirming the Municipal revenue base as:

* Property tax
* Revenue sharing through a transfer payment system
* User Fees

Recommendation 2

The Province of Ontario must reverse its policy of intrusion into the limited municipal revenue base. (This means no further initiatives such as lot levies for school capital construction, or the commercial concentration levy to fund Provincial infrastructure priorities).

Recommendation 3

The Province of Ontario and Association must enter into discussions to develop a revenue-sharing act, similar to other Provinces.

Recommendation 4

The Association recommends a new General Municipal Support Grant to replace the existing Unconditional Grants Program.

Recommendation 5

The General Municipal Support Grant would:

* Be an unconditional operating grant
* Indexed proportionate to gross provincial revenues
* The unconditional operating grant would have only 4 components:
* A basic grant based on such factors as municipal assessment, expenditures, services, and responsibilities.
* An equalization grant based on a new accurate measure of "ability to pay".
* A temporary revenue guarantee to ensure that individual municipalities are not unduly penalized in the transition to a new system.
* Emergency funding. A limited provision for allocating grants to municipalities for "true" emergency situations.

Recommendation 6

The Association recommends that the development of the new General Municipal Support Grant be a priority of the Municipal Affairs Advisory Committee on Provincial-Municipal Finance Matters, for implementation by 1991.

Recommendation 7

Only when there has been sufficient progress towards this new Unconditional Grant system, the Association recommends the "deconditionalization" of specific grant programs.

Recommendation 8

The Association recommends that the Government of Ontario enter into discussion with AMO to explore the concept of an Unconditional Capital Grants Program.

Recommendation 9

The Association recommends that the following services and programs are provincial responsibility:

Recommendation 10

The Association states that the following are a joint responsibility of the municipal-Provincial (and Federal) government and recommends the retention of a conditional grant program:

Recommendation 11

The Association states that municipal governments will continue to act as local agents for the provincial government for the following programs:

Recommendation 12

AMO recommends the elimination of payments-in-lieu of taxes, and that the Federal and Provincial governments pay their full share of property taxes. (i.e. the Ministry of Health provides payments-in-lieu with regard to hospital beds).

SECTION MINORITY REPORTS

County and Regional Section

Although the County and Regional Section support this report in general, it cannot support Recommendations 2 and 3 of the Ministry of Transportation chapter. The Section does not feel that it is feasible to introduce an unconditional grant for a basic municipal service, such as roads, until such time as specific criteria establishing a basic level of service are in place. Grants should be responsible to municipal need and recognize individual municipalities' ability to pay. Municipal needs, in turn, must be determined from established province-wide criteria, as mentioned above.

Rural Section

The Rural Section of AMO stands in general support of "New Dimensions", but is concerned about the report's emphasis on unconditional grants, which, it is felt, might threaten the existence of basic, lower-profile services. As an alternative, the Rural Section recommends that the Association examine a type of block funding grant which, while conditional in relation to a program area, would leave municipalities free to allocate funds within that area.

Small Urban Section

AMO's Small Urban Section supports this report, with the added provision that the proposed grant program should be developed in such a way as to ensure that all municipalities of all sizes and from every region of Ontario be treated in a fair and equitable manner.

APPENDIX A

SUPPLEMENTARY PROGRAM INFORMATION

MINISTRY OF COMMUNITY AND SOCIAL SERVICES

1. General Welfare Assistance

Legislative authority: The General Welfare Assistance Act

Program Description:

The General Welfare Assistance program provides financial assistance to persons in need. It is intended to be provided on an emergency or short-term basis. The program is delivered by municipalities except in areas without municipal government structures. In this case the province delivers the program.

Specifically General Welfare Assistance provides:

- basic allowances for food, clothing, utilities, household supplies, and base line shelter costs
- an additional clothing allowance in November
- an allowance for some special diets
- a pregnancy allowance for a six month time period
- an advanced age item for persons over 65
- a flat rate allowance for a foster child
- a fuel allowance or a shelter subsidy which provides partial subsidy for shelter costs above the base line amounts included in basic needs
- emergency shelters and domiciliary hostels

2. Special Assistance

Legislative Authority: The General Welfare Assistance Act

Program Description:

The Special Assistance program provides financial assistance on a needs-tested basis for exceptional items not provided under General Welfare Assistance. It is delivered by municipalities. In unorganized territories without municipal structures, the province delivers Special Assistance.

Specific items which may be provided include:

- prescribed drugs for persons not eligible for a drug benefit card
- surgical supplies and dressings
- dental services
- dentures
- prosthetic appliances for items or the percentage of costs not covered by the Assistive Devices Program
- eyeglasses
- vocational training and tuition
- travel and transportation
- moving costs
- comfort allowance
- funerals and burials
- second tier shelter subsides
- baby supplies
- repair or replacement of furniture and appliances
- oxygen equipment
- blood tests to establish paternity
- rent or hydro deposits or arrears
- seeing eye dog allowance

3. Supplementary Aid

Legislative Authority: The General Welfare Assistance Act

Program Description:

Under the Supplementary Aid Program, financial assistance is provided on a needs-tested basis by municipalities to recipients of:

- Canada Pension
- Old Age Security
- Family Benefits
- Vocational Rehabilitation Services

In areas without municipal structures, Supplementary Aid is delivered by the province.

Specific items which may be provided include:

- prescribed drugs for persons not receiving Family Benefits or the Ontario Drug Benefit card
- surgical supplies and dressings
- dental services for procedures not covered by the Family Benefits dental card of those not on Family Benefits
- dentures
- prosthetic appliances for items or the percentage not covered by the Assistive Devices Program
- eyeglasses for persons not on Family Benefits
- vocational training and tuition
- travel and transportation
- moving costs
- comfort allowance
- funerals and burials
- second tier shelter subsidies

4. Administration Cost-Sharing

Legislative Authority: The General Welfare Assistance Act

Program Description:

Municipal administration costs are paid to assist municipalities with approved costs for the administration of programs under the authority of the Act. Some items are eligible for subsidy, and others are not.

Items which may be subsidized include:

- staff salaries
- staff benefits
- staff travel
- audit costs
- accounting costs
- legal costs
- computer costs (some specific costs associated with computers directly providing cheque production or caseload management)
- research and consultation costs (subject to prior approval)

Items not subsidized include:

- bank charges and interest
- insurance
- accommodation costs
- leasing, servicing or purchase of office equipment or furniture
- office supplies
- stationery
- telephone/communications
- postage/delivery services
- costs of honoraria/travel for social assistance committee members

5. Employment Opportunties Program (EOP)

Legislative Authority: Ministry of Community and Social Services Act

Program Description:

The Employment Opportunities Program consists of a series of employment initiatives designed to assist long-term social assistance recipients or those likely to become long-term recipients to become economically independent.

There are 4 types of programs:

a. Employment Preparation Programs

Include:
- Youth Employment Preparation
- Employment Support Initiatives expansion

b. Employment Experience Programs

Include:
- Social Service Employment
- Employment Liaison and Municipal Job Developer
- Training placements in the private sector
- Work Activity

c. Support Programs

Include:
- Employment Related Expenses (transportation, grooming, clothes, resumes, tuition)
- Child Care
- Supports for the Disabled
- Municipal Employment Program

d. Early Intervention Programs

Include:
- Summer and part-time employment for dependents
- Preparation for Independence
- Community Youth Supports Projects
- Residential Centres Program

MINISTRY OF MUNICIPAL AFFAIRS

Unconditional Grants Program

General Per Household Grant

The General Per Household Grant was introduced in 1954 when it replaced the municipal subsidy program which had been terminated five years earlier. The intent of this grant was to provide municipalities with a basic level of financial support. The grant is calculated by multiplying the number of households in a municipality by $30. Increases in the grant are therefore dependant on increases in households or increase in the absolute amount of the rate per household. It is paid to all regional upper-tier municipalities and to all lower-tier municipalities in counties and northern Ontario.

Police Per Household

The Police Per Household Grant is paid to municipalities which operate their own police force or have a contract for policing with the Ontario Provincial Police. The grant was introduced in 1970 to assist regions with the costs of forming regional police forces. While the grant is dependant on the provision of policing services, the grants are unconditional and need not be spent on policing. The rate of the grant is $50 per household. Increases in the Police Per Household Grant are therefore dependant on increases in households or increases in the absolute amount of the rate per household.

Density Per Household

The Density Per Household Grant was introduced in 1970 and is paid to rural municipalities in regions in recognition of the higher costs in servicing sparsely populated areas. The grant rates range from $0 to $14 per household depending on the number of households per hectare. To qualify, the number of households per hectare must be less than 1.875.

General Support Grant

The General Support Grant was first introduced in 1937 and was paid under the Municipal Subsidies Act. The rate was set at one mill of a municipality's assessment. The grant was however discontinued in 1949 because assessment values among municipalities were no longer comparable. The grant was reintroduced in 1973 and is paid to all municipalities. The amount of the grant is 6 percent of the previous year's levy. Until 1986, a municipality's levy included taxes, sewer and water charges, payments-in-lieu of taxes, the General and Northern Support Grants and the Resource Equalization Grant. In 1987 the definition of the levy base was expanded to include the General and Density Per Household Grants. In the 1988 grants year, the Police Per Household Grant was added to the definition. Year to year increases in the General Support Grant are dependant on increases in municipal levies.

Northern Support Grant

The Northern Support Grant was introduced in 1973 and is paid to all municipalities in Northern Ontario in recognition of the higher costs that these municipalities face in providing municipal services. The Northern Support Grant is paid to Northern municipalities in addition to the General Support Grant. The amount of the Northern Support Grant is 18 percent of the previous year's levy.

Resource Equalization Grant

The Resource Equalization Grant was introduced in 1973 and is intended to help equalize fiscal resources among municipalities. The grant is paid to municipalities whose average assessment per household falls below $59,000 (1988). The grant is calculated by:

1. Determining assessment deficiency by calculating the proportion by which a municipality's equalized assessment per household is below the provincial standard of $59,000.

EXAMPLE

$$\frac{\text{Provincial Standard per Household} - \text{Municipal Assessment per Household}}{\text{Provincial Standard Per Household}} = \text{Assessment Deficiency}$$

or

$$\frac{\$59{,}000 - \$30{,}000}{\$59{,}000} = .491 \text{ or } 49.1\%$$

2. Determining the grant rate by taking 50 percent (1988) of the assessment deficiency up to a maximum of 25 percent.

EXAMPLE

Assessment Deficiency	x	50 percent	=	Grant Rate up to a Maximum of 25%

or

49.1%	x	.50	=	24.5%

Since 24.5 percent is lower than the ceiling of 25 percent, the municipality's grant rate is 24.5 percent. This rate is then applied to the municipality's previous year's levy. The maximum grant payable in any one year cannot exceed the prior year's grant times 110 percent.

Increases in this grant are dependant on changes in households, assessment, equalization factor, municipal levy, the provincial standard and the grant ceiling.

Revenue Guarantee

The Revenue Guarantee was introduced in 1984 to protect municipalities from grant losses due to the conversion to households and other policy changes. The guarantee also protects municipalities against losses due to natural causes such as a decline in households, levy base, or reduced eligibility for the Resource Equalization Grant resulting from assessment increases. The guarantee was set at : 2.5 percent in 1984; 2.0 percent in 1985; 0 percent in 1986; 2.0 percent to 5 percent in 1987; and, 2 percent in 1988.

MINISTRY OF THE ENVIRONMENT

DIRECT GRANT PROGRAM

1. Grants for Municipalities with populations over 7,500

A grant of 15 percent of the eligible cost is available for major water and sewage works that support urban growth.

For water works, all major components for the production, treatment and storage of potable water, including water intakes and trunk feeder mains owned by the municipality are eligible for a grant.

For sewage works, all major components of sewage systems, including treatment facilities, outfall sewers, trunk sanitary sewers and associated pumping stations owned by the municipality are eligible.

2. Grant to municipalities with populations under 7,500

Grants are available to correct health and environmental problems and to accommodate growth in smaller communities. Local water distribution and sewage collection systems qualify for grants.

Grants range from a maximum of 85 percent for communities of 1,000 people or less to a minimum of 15 percent for communities of 7,499. The formula is calculated as follows:

$$\text{Grant (\% of net eligible cost)} = 95.77 - (0.01077 \times \text{Population})$$

3. Regional Municipalities High Cost Grant

A second type of sewer and water works grant is also available for small communities within regional municipalities on a shared basis with regional governments. The regional government assumes the portion of the costs not covered by the Ministry of the Environment grant. The grant is therefore contingent upon the regional municipality paying its share of the cost.

4. Direct Grant for Engineering Studies

Financial assistance is available for engineering reports that relate to a specific health or environmental problem requiring correction.

5. Grants for Rural Water Pipeline Extensions

The Ministry of the Environment provides grants of 25 percent of the net eligible cost of water pipeline extensions in areas outside urban boundaries.

6. Lifelines (new 1987)

Under the Direct Grants Program, the province will provide grants of up to 33 percent towards the cost of rehabilitating deteriorating portions of municipal sewer and water pipes. In the 1987 provincial budget, the province allocated $11 million over the next three years to help municipalities evaluate their underground infrastructure. By 1991-92, the province will be budgeting $45 to $50 million annually for capital works.

APPENDIX B

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The Association of Municipalities of Ontario would like to thank specific Ministry staff for their co-operation in attending meetings, providing program information, and providing unpublished financial data:

* The Ministry of Community and Social Services

* The Ministry of Housing

* The Ministry of Municipal Affairs

* The Ministry of Natural Resources

* The Ministry of Tourism and Recreation

* The Ministry of Transportation

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